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ABSTRACT

This congressional report includes testimony pertaining to the impact of the Reagan administration's policy of increased deregulation on American workers. Particular emphasis is placed on the impact that deregulation has had on specific occupations, industries (including plant closings), wage structures, and organized labor. The following organizations were represented at the hearings: the Transport Workers Union; the Eastern Airline Pilots of the Air Line Pilots Association; the International Association of Machinists; the Florida Consumers Federation; the American Federation of State, County, and Municipal Employees; the Center for Labor Research and Studies; the Florida Building and Construction Trades Council; and the Air Line Pilots Association. A former flight attendant and a former airline mechanic also testified. (MN)

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HEARING ON THE IMPACT OF DEREGULATION ON THE AMERICAN WORKERS

ED 290867

HEARING

BEFORE THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

ONE HUNDREDTH CONGRESS

FIRST SESSION

HEARING HELD IN MIAMI, FL, ON JULY 27, 1987

Serial No. 100-33

Printed for the use of the Committee on Education and Labor

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CONTENTS

Page
Hearing held in Miami, FL, on July 27, 1987 1

Statement of—

- Barry, Mary Jane, president, Transport Workers Union, Local 553, Miami Springs, FL 29
- Breslin, Captain Robert, council chairman, Eastern Airlines Pilots of the Air Line Pilots Association, Coral Gables, FL 42
- Bryan, Charles E., president and general chairman, District 100, International Association of Machinists, Miami, FL 33
- Carrao, Thomas, telephone maintenance mechanic 73
- Clarke, Karen, director, Florida Consumers Federation, West Palm Beach, FL 98
- Escudero, Gil, international union assistant area director, AFSCME Florida, Miami 31
- Grenier, Guillermo, director of Center for Labor Research and Studies, Florida International University, Miami, FL 80
- Martin, Joseph, president, Florida Building and Construction Trades Council, Tallahassee, FL 26
- McClure, Captain Don, chief accident investigator, Air Line Pilots Association 44
- McKay, Ken, president, Transport Workers Union of America, Local 291, Miami, FL 4
- Murphy, Dian D., flight attendant 62
- Rodriguez, Elliot, former airline mechanic 67

Prepared statements, letters, supplemental materials, etc.—

- Bryan, Charles E., prepared statement on behalf of District 100, International Association of Machinists and Aerospace Workers 37
- Carrao, Thomas, prepared statement of 75
- Clarke, Karen, executive director, Florida Consumers Federation, prepared statement of 100
- Greiner, Guillermo J., Ph.D., prepared statement of 85
- McKay, Ken, president, Transport Workers Union of America, local 291, AFL-CIO:
  - "Apartheid In Miami,"excerpt from Labor Research Review 12
  - Prepared statement of 6
- Murphy, Dian, prepared statement by 64
- Rodriguez, Elliot, prepared statement of 69

HEARING ON THE IMPACT OF DEREGULATION ON THE AMERICAN WORKERS

MONDAY, JULY 27, 1987

House of Representatives,
Committee on Education and Labor,
Miami, FL.

The committee met, pursuant to notice, at 8:30 a.m. in room 208, 51 Southwest First Avenue, Miami, Florida, Hon. Major R. Owens presiding.

Members present: Representatives Owens, Hayes, and Jontz.

Staff present: Peter M. Schott, Documents Coordinator; Mark E. Powden, Minority Labor Staff Director.

Mr. Owens. The hearing of the Education and Labor Committee will begin.

We are pleased this morning to have an opportunity to hear persons on the front line on the issues related to deregulation and the present effort of our economy to cope with a changing world economic situation.

I am particularly pleased that a number of the witnesses this morning will discuss the issue of deregulation as it impacts on the American worker.

We are accustomed in Washington, to hearing repeatedly code words and code phrases, like, we must make our economy more competitive.

And we are in agreement with that. However, too often and particularly with this present Administration, making our economy more competitive means making our unions weaker. It means making our workers more like the workers in Hong Kong, and Korea. It means taking away the gains that organized labor has worked so hard for, for so many years.

Management calls for greater partnership and more labor peace in order to compete internationally. By labor peace, the management means subservience by the unions.

We watch steadily our standard of living being eroded, and we watch steadily while more jobs are being created at cheaper wages. We have witnessed a situation arise, where workers in other parts of the free world, have developed situations where they have better, more and better rights, than the workers here, in America.

Workers have the right, in many cases, to be notified of plant closings. Workers have the right to parental leave. There are a number of issues which we are struggling with, at the level of the U.S. Congress, now, that are already rights in countries in the European Economic Union.

7

They are already rights in Japan.

So, this morning, we would like to have the opportunity for certain voices, which are not often heard in the corridors of Washington, to be heard here.

I am going to close at this point, keeping my opening statement brief, because we would like to have the maximum amount of time, of course, for the people who will testify.

I yield to Mr. Hayes for an opening statement.

Mr. **Hayes**. Thank you, Mr. Chairman.

I share your feeling that my opening statement has to be brief, because you are here to receive testimony from people who are as concerned about the situation and the sense of direction that we are now going, as we are here, as Members of Congress.

We have become increasingly aware of the recent negative impact of corporate mergers, acquisitions, buyouts and sellouts, that results in an increasing hostile environment for the working people of America.

Many of those who advocated deregulations of particular industries argue that deregulation would produce an economic situation that would make it possible for more companies to participate in rewards and profits.

This may be true for some, but they fail to consider the adverse impact that these kinds of moves have had on people who work for a living.

The airlines in America have been deregulated. Early 1986, as part of the overall Transworld Airlines, a successor was sought and agreed to with several of the unions, but the negotiations with the Independent Association of Flight Attendants fell apart when twice as much salary reductions and increased workloads were demanded.

We think that we have reached the point now where legislation is necessary. Your movement here, in Miami, Florida, could provide the impetus that may help us to garner the votes necessary to really enact the kind of legislation that is going to turn things around.

We are not just thinking about ourselves, or today, we are thinking about the future, not just for ourselves, but for this nation.

And I want to congratulate those who are responsible for putting together this kind of a conference, this kind of a hearing. And I do hope that it will catch on in Washington, as we continue these kinds of hearings, maybe in our Nation's Capital.

I will yield back whatever balance of time, I might have, Mr. Chairman.

Mr. **Owens**. Mr. Jontz?

Mr. **Jontz**. Thank you, very much, Mr. Chairman.

Let me first extend my congratulations also, to those who were responsible for scheduling this hearing and state what a pleasure it is for me to join you and Mr. Hayes, here, in Miami, today.

When you come from the midwest, as I do, the problems of the labor movement often seem synonymous with those of the auto and the steel industry. But I believe that one of the results of this hearing, and subsequent hearings, will be an increase in awareness of the problems faced by working people which are not confined to the part of the country, that we call, the Rust Belt. These problems affect workers from every corner of our country in every occupation in the rural as well as urban areas.

Today, we will hear testimony from telephone workers, airline pilots, and flight attendants, bus drivers and the construction trades. This testimony will not be confined to the deficiencies of the National Labor Relations Act, but will reflect on a broad spectrum of Federal laws and policies.

We will hear of the failures and enforcements of occupational safety and health laws; the effects on employees of the merger-mania spurred by Federal Tax policy; and the erosion of workers' rights due to privatization.

I hope that today's hearing will remind us that the American labor movement is not a special interest group, but rather expresses the hopes and represents the interests of the mainstream of our country's population. We must remind ourselves, and call the attention of others, to the fact that progress cannot, in the long run, be achieved at the expense of the working people of this country.

Mr. Chairman, this hearing, today, is intended to help us, in Congress, to improve our understanding of the situation, facing labor and its relation to Federal policies. I think that looking at some of the history of the labor movement in this country helps us to put the situation that we face today, in some perspective.

Fifty years ago, this country was in the midst of the greatest depression in its history. American industry had ground to a halt and there were millions of workers without jobs. The country was pulling itself up by the bootstraps.

The birth of the CIO and their revitalization of the labor movement were not incidental to that process. Since that time, our country has made great strides to extend the American birthright to all of our citizens. We have broken down many racial barriers and shored up our social and educational institutions to try to make our country a place of opportunity for everyone.

And, labor, of course, has often been at the forefront of these movements.

However, for the past few years, we seem to have forgotten how much the strength of our nation depends on the strength and the welfare of its working people. In the name of free enterprise, we have allowed the protections of our labor laws to lapse.

We have adhered to a philosophy that praises the entrepreneurial spirit, but ignores the social cost. For our efforts, we have reaped a stagnant economy, in which the gap between the rich and poor is widening; an economy where the standard of living of the American worker is slipping backward; and an economy where parents can no longer assume a better life for their children.

Mr. Chairman, today, we will hear in testimony, evidence of the drastic effects that this philosophy has had on working people in this country. I hope that we will also hear evidence of a new movement to turn this situation around and restore to American working men and women, the rights, protections and aspirations they should expect and deserve as Americans.

Again, it is a pleasure to be in Miami, this morning, and I am looking forward to hearing the testimony from the witnesses.

Thank you.

Mr. Owens. Our first panel consists of Mr. Ken McKay, President of the Transport Workers Union, Local 291; Mr. Joseph E. Martin, President of Florida Building and Construction Trades Council; Ms. Mary Jane Barry, President of the Transportation Workers Union, Local 553; Mr. Gil Escudero, International Union Assistant, Area Director, A.F.S.C.M.E., Florida; Mr. Charles E. Bryan, President and District Chairman of District 100, International Association of Machinists; Captain Robert Breslin, Council Chairman, Eastern Airline Pilots of the Airline Pilots Association; Captain Don McClure, Chief Accident Investigator of the Airline Pilots Association.

I would like to note for each witness that your written statement will appear in the record in its entirety. You need not repeat the written statement, and we would prefer that you take this time to summarize it and make any other remarks that you would like to make, but we will include your written statement in its entirety.

Mr. McKay?

STATEMENT OF KEN McKAY, PRESIDENT, TRANSPORT WORKERS UNION OF AMERICA, LOCAL 291, MIAMI, FL

Mr. McKay. Mr. Chairman, if I may, and Members of the Panel, I would like to go through the statement very quickly.

It was just about a year ago, today, that our Union's 1,600 members were invited to a company-sponsored picnic. Our public employer, which was the Metro Dade County Government, sponsored a feast of chicken and ribs for its work force, and the smoke filled air hung over the picnic setting.

The scene was very, very misleading. Instead of an atmosphere of cooperation between the government and our Union, a setting of betrayal had literally been laid in place. Our workforce, which is comprised mainly of Black and Hispanic employees had been sold out.

County Commissioner Claire Oesterle had turned the picnic, quite frankly, into a reminder of the Ante bellum South. She had designed a plan whereby the Black and Hispanic drivers and mechanics would be displaced by huge private companies owned by her political allies. She had become, in fact, an architect, for lack of a better word, for transit apartheid.

The scheme was very logical. The Dade County Transit System receives literally millions of dollars in Federal subsidies. If much of that money could be siphoned off and given to a few select companies, Dade County's leadership would be ecstatic. Oesterle would have delivered millions of dollars to her colleagues, or whatever.

These private companies would select only the most profitable areas of the bus system to privatize, and they would "cherry-pick", if you would, the transit bush. These companies would reap huge profits by selective service, and by paying substandard wages. Service to poor communities would be terminated, if not profitable and safety concerns would be avoided. The wasting of tax dollars would literally be ignored.

Equally important to Claire Oesterle and the Dade County Government was the lowering of the wages of its Black and Hispanic employees. They had tried to lower their wages through vicious negotiations and intimidation, just about a year ago. It was only through our fierce resistance that we defeated this attempt.

It is repugnant to people like Claire Oesterle that a Black bus driver can make $10 an hour driving a bus. It is even more offensive that these people will fight back when their future is threatened.

Dade County Commissioner Oesterle found a vehicle whereby the minority workforce will be forced to accept lower wages and large sums of public money will be turned over to unanswerable private corporations. The answer, of course, was privatization.

Now, that the blueprint for destroying our minority workforce was formulated, the players had to be recruited. Two groups were called upon to initiate what we refer to as a "back door deal."

First the downtown Miami business elite would put on a blue ribbon committee to study the transit system. Their initial minutes reveal that the study was a set-up. At the very first meeting, labor was advanced as the key problem. All that remained was to wait a few months and issue a report containing this self-serving rhetoric. The group did just that, after being funded with a $200,000 Federal Grant.

Our response exposing this fraud was attached to our statement.

The second and last tool used against us, was Mr. Ralph Stanley, former Administrator of the Urban Mass Transit Administration (U.M.T.A.). He had buses that Dade County sorely needed and these buses carried an interesting price tag. The County would have to initiate a contest which proved that privatization of transit was a great thing. The County welcomed the deal with open arms and U.M.T.A. sent down $7.5 million for the sham contest which is scheduled to begin in September.

What does this false privatization effort do to the workforce? It means three things, basically.

First, the areas targeted for privatization are clearly those mostly staffed by minority workforce. This is true because these areas use a labor pool which is susceptible to replacement with low-paid, and under-employed recruits. Saved labor costs becomes a corporate bonanza. This is especially true where the lowering of bus service, only impacts on the poor community, anyway.

Wealthy folks do not ride buses in Miami. Minority workers will be devastated by this fake privatization.

For years, minority workers were told that they were lazy, lacked initiative. They were allowed to take traditional Black jobs, if you will, like custodial and sanitation work, and it is only as you referenced, earlier, Mr. Jontz, it is through Union and civil rights organizations that they begin to realize that a decent standard of living could be obtained.

All of a sudden these jobs were no longer throw-aways. The County Government is using privatization to turn respectable employment for minority workers into a sub-standard and poverty level existence.

Finally, and most importantly, the real tragedy awaits our members, the social outfall, if you will, as you referenced earlier. Mortgage payments, tuition for college, medical treatment, are all dependent on keeping a job in Dade County. Impending layoffs are planned as I speak before you at this very moment.

For each laid off worker, a new lower paying, private slot is being created by the County. I think that the story is best told by the enclosed academic article, "Apartheid In Miami" which was authored here, by Professors Andy Banks and Guillermo Grenier.

This situation, I say to you, Mr. Owens, Mr. Chairman, Panel, demands nothing less than a full Congressional investigation into the use of Federal funds by U.M.T.A. to foster and promote these unfair and bogus schemes.

Federal dollars carry with them a responsibility. This is the responsibility of fair dealing, which is a situation that we have had very little of in Miami.

In closing, I think that we deserve better use of our tax dollars. I think that it is virtually criminal for U.M.T.A. which was formed to begin with, due to the private sector's inability to provide essential public transportation to allow puppets like Commissioner Oesterle to play havoc with the lives and livelihood of the people in Miami, who deserve better.

I thank you for the opportunity to speak today.

[Prepared statement of Ken McKay and an article, "Apartheid in Miami" follow:]

PREPARED STATEMENT OF KEN MCKAY, PRESIDENT, TRANSPORT WORKERS UNION OF AMERICA, LOCAL 291, AFL-CIO

It was only about one year ago that our union's 1,600 members were invited to a company-sponsored picnic. Our public employer, Metro Dade County, had sponsored a feast of chicken and ribs for its workforce of bus drivers, mechanics, and rail personnel. The smoke-filled air hung over the picnic setting.

The scene was misleading. Instead of an atmosphere of cooperation between the government and its transit union, a setting of betrayal had been laid in place. Our workforce, comprised mainly of Black and Hispanic employees, had been sold out.

County Commissioner Claire Oesterle had turned the picnic into a reminder of the ante-bellum south. She had designed a plan whereby the Black and Hispanic drivers and mechanics would be displaced by huge private companies owned by her political allies. She had become an architect of transit apartheid.

The scheme is very logical. The Dade County transit system receives literally millions in federal subsidies. If much of that money could be siphoned off and given to a select few private companies, Dade County's leadership would be ecstatic. Oesterle would have delivered millions to her colleagues.

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Equally important to Claire Oesterle and the Dade County Government was the lowering of the wages of its Blacks and Hispanic employees. They had tried to lower their wages through vicious negotiations and intimidation just one year ago. Through our fierce resistance we defeated this attempt.

It is repugnant to Oesterle that a Black Driver can make $10.00 an hour driving a bus. It is even more offensive that the same Black driver will fight back if his future is threatened.

Dade County Commissioner Oesterle found a vehicle whereby the minority workforce would be forced to accept lower wages and large sums of public money would be turned over to unanswerable private corporations. The answer was privatization.

Now that the blue-print for destroying our minority workforce was formulated, the players had to be recruited. Two groups were called upon to initiate the back-door deal.

First, the downtown Miami business elite were put on a "Blue Ribbon" Committee to "study" the transit system. Their initial committee minutes revealed that the study was a set-up. At the very first meeting, labor was advanced as the key problem. All that remained was to wait six months and issue a report containing this self-serving fraudulent conclusion. The group did just that after being funded with a $200,000 federal grant. Our response exposing this fraud is attached.

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What does this false privatization effort mean to the workforce? It means three things:

(1) The areas targeted for privatization are clearly those mostly staffed by a minority workforce. This is true because these areas use a labor pool which is susceptible to replacement with low-paid, under-employed recruits. Saved labor costs becomes a corporate bonanza. This is especially true where the lowering

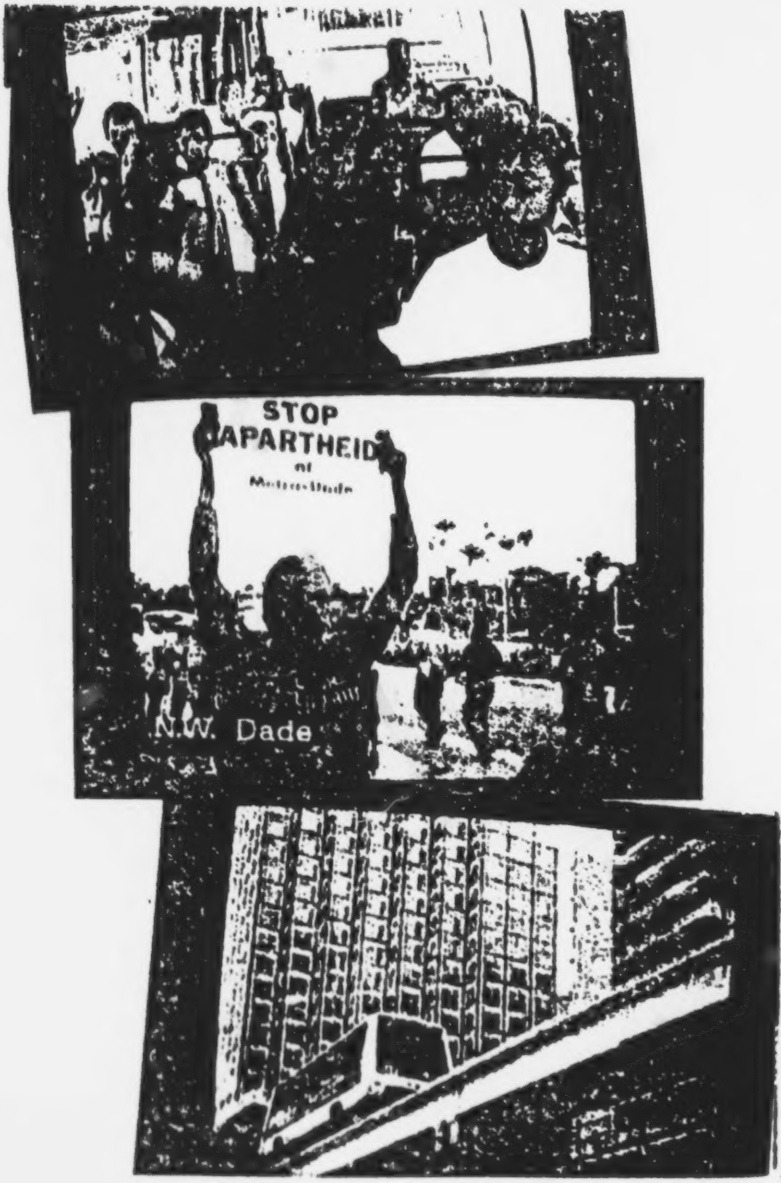
of bus service only impacts upon the poor community anyway. Wealthy folks don't ride buses in Miami. Minority workers will be devastated by fake privatization.

(2) For years minority workers were told they were lazy and lacked initiative. They were allowed to take traditional "Black" jobs like bus custodial and sanitation work. Through union and civil rights organizing, they began to realize a decent standard of living. All of a sudden these jobs were no longer "throw-aways". The county government is using privatization to turn respectable employment for minority workers into a sub-standard and poverty-level existence.

(3) Finally and most importantly real tragedy awaits our members. Mortgage payments, college tuition and medical treatment are all dependent on keeping a job. Impending layoffs are planned as I speak before you. For each laid off worker, a new lower paying private slot is being created by the County.

The story is best told by the enclosed academic article "Apartheid In Miami", authored by Professors Banks and Grenier.

This situation demands nothing less than a full Congressional investigation into the use of federal monies by UMTA to foster and promote these unfair and bogus schemes. Federal dollars carry with them a responsibility. This is the responsibility of fair dealing, a situation we have had little of in Miami.


STOP
APARTHEID
at
Metro-Dade
N.W. Dade

Apartheid In Miami

Transit Workers Challenge the System

▪ *Andy Banks & Guillermo Grenier*

Mark Richard always found it hard to leave his work at the office. Even before he became a labor attorney, back when he was an organizer for the Farm Workers, Mark was constantly strategizing on new ways to organize community support in Miami for immigrant workers living 3,000 miles away in California.

Now Mark was walking into headquarters of the Trade Union Congress (TUC) in London. Sure, he and his wife were on vacation, but it had been almost an entire week since he had talked with anyone about the incredible struggle of the Dade County transit workers.

In the lobby of the TUC building, posters were plastered everywhere. One poster showed oranges, canned goods, and other common items imported from South Africa. The items were riddled with bullet holes with blood dripping out of them. The poster read: "This is Apartheid—Don't Buy It." Mark bought a dozens of these posters. The Executive Board of Transport Workers Union (TWU) Local 291 in Miami would cherish them.

• *Andy Banks is Assistant Director and Guillermo Grenier is Director of the Center for Labor Research & Studies at Florida International University in Miami. Banks has served as a research consultant and bargaining strategist for a number of unions across the country, including TWU Local 291.*

While in London, Mark told one top TUC official about the problems facing the members of TWU 291. Mark told how Dade County Commissioners were demanding concessions averaging $6,000 per year per worker. He explained that 70% of the transit workforce was black and 20% Hispanic. He explained that the bus system which served 200,000 predominantly black, Hispanic, and elderly riders was the oldest fleet in the country and shrinking in size every year. He also talked about the new $1.25 billion rail system, Metrorail, which serves only 20,000 riders per day but makes up 40% of the Metro Dade Transportation Administration's (MDTA) operating budget. In contrast to Metrobus, Metrorail is used primarily by young, white, urban professionals who commute to the new highrise office buildings which dominate Miami's downtown.

The TUC official sat quietly and listened to the lawyer's description of Dade County's new program to cut back bus service to offset the tremendous costs of operating Metrorail. Along with route reductions, the new plan forced bus riders to make transfers on Metrorail in order to connect to other buses. Many students in black and Cuban neighborhoods have to leave two hours early to get to school on time, and parents feared this would boost the black dropout rate even further. Black and Hispanic workers lost their jobs because they could no longer get to work on time. The indigent elderly found it difficult to get to Dade County's only public hospital.

The TUC official said he was not surprised at what Mark told him. The British working class knew a lot about Miami; due to cheap air fares it was one of their favorite overseas vacation spots, and London tabloids carried Miami stories on a regular basis. Racism in Miami was no surprise. After all, wasn't Miami the site of the only two race riots in the United States in the 1980s? The TUC official explained that in his opinion the apartheid mentality didn't only exist in South Africa, it appeared to be alive and well in Miami.

Apartheid in Miami! That's exactly what the transit system's new plan furthered, and it would become the theme of TWU 291's strategy to fight concessions, racism, and mismanagement in Dade County transit.

The story that follows will show how Dade County officials and the downtown Miami business establishment attempted to bust the transit union and dismantle a vital public transportation service to Miami's minority, elderly and working-class communities. In the name of "efficiency," Miami's political and business establishment worked hand-in-hand with the Reagan administration to make minority workers and their communities pay for the mistakes of what experts say is one of the most mismanaged transit systems in the country.

This is the story of how the union organized with the community to expose this mismanagement and how the union tried to address bad management practices by offering contract language which would give the union and the workforce a voice in how Dade's transit system is run.

The Blue Ribbon Report

In the early 1970s Dade County, like most other metropolitan governments across the U.S., completed the purchase of privately owned and operated local transit systems. The trend started with Congress' passage of the 1964 Urban Mass Transit Act, which provided funds for local governments to bail out private transit companies and to improve the country's dilapidated urban transit systems.

In 1976 the Dade County Commission and the local business establishment campaigned heavily for a new $1.25 billion Metrorail system to complement the county's traditional reliance on buses. A referendum election on Metrorail was held and the referendum passed by a margin of less than 1%, primarily because of a large turnout of black and Hispanic voters, who were promised a fleet of over 1,000 buses if they supported the construction of Metrorail. That was 1976, and Metrobus had a fleet of 670 buses. Ten years later, Metrobus has the nation's oldest fleet of buses, now numbering fewer than 500.

In November of 1985, a select group of downtown business leaders met with County Commission Transportation Committee Chair Clara Oesterle to discuss the transit system's financial problems. Faced with overwhelming public criticism and no dedicated source of revenue, this group decided that the only way to "fix" the financial problem was to wage a two-pronged campaign to reduce workers' wages and to phase out the County's obligation to maintain a bus system. Commissioners Clara Oesterle and Beverly Phillips then met with representatives of ATE Management and Service (the world's largest private transit management company) to discuss plans for privatizing Metro Dade transit. ATE is now a fully-owned subsidiary of Miami-based Ryder Corporation.

In December of 1985, the County Commission officially formed a Blue Ribbon Task Force on Transportation. The task force was composed of current and former Chamber of Commerce officers, Commissioner Oesterle, and MDTA Executive Director Joseph Fletcher. It was funded by a $200,000 grant from the federal Urban Mass Transit Agency (UMTA). The stated purpose of the task force was to conduct a thorough investigation of MDTA and issue recommendations to the County Commission.

At the task force's first meeting, members heard a report from MDTA chief Fletcher on the current negotiations with the transit union, and it was decided at that meeting that labor would be the focus of the report, and that the report would support MDTA's efforts to extract dramatic concessions from TWU members. The minutes of the meeting show that Commissioner Oesterle wished to use the Blue Ribbon Task Force report as a club in negotiations with TWU. The first draft of this "independent" report was authored by MDTA's Joe Fletcher, and all committees of the Blue Ribbon Task Force were staffed by MDTA administrators.

To no avail, TWU Local 291 attempted for the next five months to have representation on and input into the deliberations of the task force. In May of 1986, the task force issued its final report and recommendations to the County Commission. Among its recommendations were:

1. Unilaterally cut wages by 20%.
2. Support MDTA's efforts at the bargaining table to gut the union's most important work rules.
3. Force the union to strike, and replace workers with new employees.
4. Increase bus fares by 33%.
5. Support MDTA's plan to drastically reduce bus service.
6. Create an appointed Transportation Board composed of local business leaders to oversee MDTA. This would mean that MDTA would no longer be directly accountable to voters or elected officials through the County Commission.
7. Pursue efforts to privatize transportation with companies such as Ryder.

In their presentation of the Blue Ribbon Report, television stations and newspapers alike marched in lock step behind the Chamber of Commerce's recommendations. Not one item in the several hundred-page document was scrutinized or questioned. The media had found an easy target for Dade's transportation woes—lazy and shiftless black workers. Miami's dirty little secret was at work again. Commissioner Oesterle was really feeling her oats. In a statement to the press on the day the Blue Ribbon Report was released, Oesterle said: "If changes must be made, they will be made. If sacrifices must be made, they should be made. If labor costs must be cut, get out the scissors. If bluffs must be called, the County Commission will call them."

The Union Responds: A Proposal to End Mismanagement

Upon release of the task force report, the members of TWU Local 291 turned out en masse at the next union meeting. The crowd was so large that the union had to place a public address system in the parking lot to handle the overflow. Members insisted the union respond to the Blue Ribbon Report and implement a program to fight the County's demands for concessions and its plans to privatize the transit system. The union's research committee hired consultants Steve Abrecht and Andy Banks to review the Blue Ribbon Report and to assist the union research committee in writing its own report and recommendations to the County Commission.

The TWU report said that the Blue Ribbon Report lacked input from those who need and use public transportation the most—the elderly, blacks, Hispanics, Haitians, students, and workers.

The union's report raised some interesting questions. If the purpose of the Blue Ribbon investigation was to uncover why

TWU International President John Lawe (center) strategizes with TWU Local 291's executive board.

MDTA was so expensive and inefficient, why was there a section of the report on labor but no section looking into the management of the transit system? Was it because MDTA management staffed the Task Force, provided all the statistics and even authored the first draft?

"For the Blue Ribbon Task Force to pay little or no attention to issues such as poor planning, absence of management accountability, poor oversight and training is derelict. The public deserves better treatment than this," said Ken McKay, TWU 291 president, at a crowded union press conference.

The Transport Workers' report also noted that the Blue Ribbon Task Force ignored a 1981 Dade Grand Jury which accused Dade County of having a "fixation" on purchasing expensive hardware while paying little attention to efficient management. Why did the business leaders on the Task Force completely ignore the Grand Jury's findings and recommendations and instead recommend that more contracting-out and other forms of privatization take place?

While arguing hard for privatization, why did the Task Force not investigate the $13 million in private sector contracts that already existed at MDTA? If they had, they would have discovered what transit workers had been complaining about for years. For example, the Blue Ribbon Report complained that union mechanics were using too many spare parts, the implication being that workers were either stealing the parts or that mechanics were incompetent. The union research committee found that the spare parts inventory was so high because much, if not most, of the engine work which came back from outside contractors needed to be completely reworked.

The union's report also showed how the Blue Ribbon Report had manipulated and distorted statistics:

- The Task Force claimed that MDTA bus operator wage rates are way above market, when in fact they are lower than the average for all major U.S. transit systems.
- The Task Force made sweeping generalizations about the work habits of supervisors and mechanics based on the maintenance record of only two buses and one observation of a single mechanical repair.
- The Task Force blamed the union contract for a large amount of overtime for bus operators, when in fact their own data shows that in fiscal year 1985 management paid $1.3 million more in overtime than was mandated by the contract.
- In the two weeks between the release of the Preliminary Report

and the Final Report, major changes were made without any explanation. Figures on labor cost and revenue growth changed dramatically or were inexplicably deleted where they did not conform to the Task Force's conclusions.

- The Blue Ribbon Task Force attributed certain Metrorail costs to Metrobus, thereby exaggerating the deficits of Metrobus.
- The Task Force focused almost exclusively on Metrobus in order to avoid any discussion of Metrorail's operating and financial disaster. (The union questioned the impartiality of the Task Force Vice Chairman, who was CEO of a real estate development firm which had exclusive rights to building shops and office buildings adjacent to at least one of the Metrorail stations.)
- Apples were constantly being compared to oranges. The Task Force was repeatedly inconsistent in the timeframe and frame of reference it used, depending on the point it was trying to prove.

The union concluded:

> By this time it should be evident to the Commission that the report of the Blue Ribbon Task Force lacks a comprehensive and rigorous approach. It is doubtful that any member of the Blue Ribbon Task Force, in their capacity as executives, would base multi-million dollar investment decisions on such a product from subordinates or outside professionals.
>
> At best the Task Force simply did a poor job. At worst the report is a crude attempt by Dade's business leaders to embroil the County Commission in a union-busting venture, remove the control of MDTA from the accountability of voters and elected officials, and hand over a valuable public asset to special business interests.

The TWU leadership knew that it was not enough to tear apart the Chamber of Commerce's self-serving report. TWU members for years had been complaining about the mismanagement of the transit system. They also knew that as long as the management problems persisted, their jobs, their contract, and their union would be on the chopping block. The Blue Ribbon Task Force taught the union that if they did not get directly involved in cleaning up mismanagement at MDTA, they would be asked to pay the price. To this end the union decided to include its own recommendations.

The Transport Workers Union, at the end of its report, called upon MDTA and County officials to work with the union and community leaders on a new study team to correct Dade's transit problems. It asked the Commission to reject the Blue Ribbon recommendations as being "confrontational, adversarial, and negative."

"The County Commissioners are at a great crossroads," claimed TWU's McKay. "They can join hands with their workforce and the users of public transit or they can decide to dismantle the transportation system and hand it over to profiteers."

The union proposed a Joint Labor/Management Study Team composed of equal numbers of union and MDTA members to investigate once and for all the transit system's problems. The team would have total access to all information at MDTA, and both parties would be afforded access to outside expertise of their choosing. All costs of the study would be borne by the Dade County Commission. The union proposed that until this new study was completed, MDTA would not act on its plans for reductions in bus service, privatization, or changing the governing structure of MDTA.

Finally, the union proposed: "To usher in this new era of cooperation, we urge the County management to join with us in resolving the current collective bargaining negotiations. This will give both parties the necessary security to turn their attention to the fundamental task at hand."

Even though all the major media gave wide and favorable coverage of TWU's response to the Blue Ribbon Report, the union's findings and recommendations fell on deaf ears in County government. It was obvious to the TWU Executive Board that the "fix" was in.

At first this came as a surprise to TWU leadership. It was felt that once the union exposed the crass attempt by the business community and MDTA management to "cook the books," the County Commission would see the wisdom of accepting the union's recommendations. Instead, MDTA fully implemented its bus service reduction plan, in spite of pleas from blacks, the elderly, Hispanics and the union that it wasn't right that they should have to pay for the mistakes of MDTA management. To add insult to injury, the County Commission also voted to come up with another $100 million to expand the Metrorail system.

Workers and Riders Against Apartheid

If the union had not already been convinced that county government was looking for scapegoats rather than a positive solution to its transit problems, the clincher came when the county refused to move off its Draconian demands for concessions. The union had tried to change the tenor of negotiations by proposing a plan for joint labor/management committees designed to correct the inefficiencies at MDTA. As with the union's other efforts at negotiations, the county wasn't interested.

All other county unions had agreed on contracts with no givebacks and 8% wage increases over three years. Police and fire unions received substantially more than this. But TWU Local 291, the only county union that is 90% black and Hispanic, faced a different offer:

- A zero wage increase.
- Increased use of part-timers, causing the lay-off of more than 200 dues-paying members, and a provision allowing part-timers to bypass seniority in bidding the most desirable trips.
- A 20% reduction in disability benefits.
- A 4-day, 10-hour workweek for bus drivers which, according to TWU Research Director Joe Madison, would be devastating to their wages.
- Elimination of daily overtime and all overtime guarantees. (This item alone would have cost the average TWU member $6,000 a year in reduced wages.)
- Cuts in vacation and sick leaves.
- A two-tier wage system, 20% below the current base rate.
- Elimination of all longevity pay, merit pay, and pay for prep time.
- No breaks or meal time, paid or unpaid.

The union was asking for no givebacks, binding arbitration in discipline grievances, the joint labor-management efficiency program, and raises comparable to other county workers.

On July 17th, the county forced the union to a Special Master Hearing, as provided under the Florida public employee collective bargaining law. At the hearing the county was put in the embarrassing position of arguing against a program for labor-management cooperation. MDTA claimed the union's proposal violated the management rights provisions of Florida's Public Employee Relations Act.

After two days of testimony, the union and the county postponed the hearing until after the September County Commission elections. Under Florida's public employee labor laws, the Special Master's findings are not binding and the County Commission is entitled to modify, accept, or ignore the findings. Thus public sector unions find their most important weapon in getting fair and equitable contracts is political clout.

To this end, Local 291 began to coalesce with the black and Hispanic communities to turn up the heat on county government over what it labeled Dade County's apartheid policies in transportation. The union maintained that, like the South African government, Dade County endorses a dual system of wages and work conditions for its predominantly black and Hispanic work force and a dual system of transportation for the black, Hispanic and elderly communities.

The TWU Executive Board created a two-month Action Plan with four committees on Media Organizing, Membership Action, Research and Materials, and Community Partnership. One Executive Board member was appointed as overall coordinator and about 60 active union members met with the committees every Saturday to get the next week's assignments. The committees organized call-ins to the Commission, radio talk shows, rallies and candlelight vigils. They handed out thousands of leaflets.

One leaflet was headlined "Apartheid Strikes Dade Transit" and described the county's dual system of wages for minority workers and its dual system of public transportation. Another leaflet described how Commissioner Clara Oesterle was trying to sell taxpayers more "snake oil" by cutting bus service and spending $120 million to expand Metrorail to "enrich certain downtown developers." The leaflet also claimed that "black and Hispanic workers at Metrorail and Metrobus are being persecuted for blowing the whistle on Commissioner Oesterle's boondoggle."

Hardly a day passed that either President McKay or another member of the 291 Executive Board were not quoted in the papers or appeared on television news reports. One evening, TV news viewers saw a rally of 200 black and Hispanic transit workers in front of a Metrorail station located in a poor black neighborhood. Picketers carried signs declaring "Stop Apartheid at Metro-Dade." In the pouring rain dozens of black rail and bus riders joined the rally to demonstrate their solidarity with the transit workers. Clearly, this had become the key issue of the Dade County Commission elections.

TWU received support from black, Hispanic, senior citizen, and other labor organizations in its fight against Dade's apartheid. Resolutions of support were passed by numerous city councils in Dade County, such as Hialeah, Opa Locka, and Sweetwater. The 600,000-member Florida Consumers Federation committed to providing trained organizers. The national grassroots citizen's lobby, Citizen Action, passed a resolution in support of TWU's fight against apartheid in Miami. Staff members of the Rainbow Coalition indicated possible assistance from the Reverend Jesse Jackson. Officials of the labor movement in Great Britain, aldermen from the Chicago City Council, and a key member of

STOP
APARTHEID
WE

TWU Local 291 Secretary-Treasurer Sam Milton (at podium) leads union meeting in chorus of Solidarity Forever.

the Cleveland City Council all assured TWU that they would support the union if it wished to call a boycott of conventions and tourism—Dade County's economic lifeblood.

In mid-August Local 291 made public a study it had commissioned from Professional Research Institute, an independent polling firm. The findings verified what TWU had been saying—MDTA was discriminating against poor, elderly, black and Hispanic transit users. That week MDTA chief Joe Fletcher was fired, and County Manager Sergio Pereira promised the union a contract with no givebacks. Pereira also attempted to appease the community by restoring some bus routes that had been canceled. The commissioners who were up for reelection also changed their tune by saying that obtaining more buses would now take precedence over expansion of the rail system.

Despite these election campaign promises, it soon became clear that the County Manager was not delivering on his promises of a no giveback contract. The county still wanted most of the givebacks it had previously demanded and Acting MDTA Director Bill Bird was finalizing the process of contracting out major portions of TWU work.

At this point the union filed unfair labor practice (ULP) charges against the members of the Blue Ribbon Task Force. Mark Richard, the union attorney, maintained that since the Task Force was made official by the Commission, it was in fact an agent of the employer and covered by ULP provisions in the state collective bargaining law. He argued that since it was illegal for public employees to strike in Florida, the Blue Ribbon panel's recommendation that transit workers be forced on strike and then replaced was a willful violation of the law. The Public Employee Relations Commission (PERC) ruled that there was enough evidence for a *prima facia* case and ordered a full hearing.

Upon receiving notification of the hearing date, the union decided to subpoena the entire Blue Ribbon Task Force and examine Miami's most powerful business leaders while under oath. The union felt that the downtown business elite should be scrutinized in a public hearing and be held accountable for their statements in the Blue Ribbon Report.

The Blue Ribbon Task Force members went crazy when they were served with the subpoenas. Some dodged the process server for days, while others left town. Still others claimed they would ignore the subpoenas. And, they all started to put heat on the County Commissioners and the County Manager.

On Friday, September 5, the PERC hearing examiner sat alone in her chambers. The union and county labor relations staff had asked her to delay the hearing. Earlier that day the county indicated it was willing to drop all but a few token concession demands and give transit workers the same 8% raise that other county employees had received. By noon the new agreement was signed and the union reluctantly agreed to drop its ULP charges and its demand for a joint union-management efficiency program. The county also agreed to post a message on employee bulletin boards stating that the Blue Ribbon Report was not the official position of county government.

Combining a public campaign against Dade County's transportation apartheid, membership militance in bargaining, and a legal challenge to Miami's business elite, TWU 291 won its contract.

"Our Vehicle to the Promised Land"

To understand the magnitude of TWU Local 291's victory in getting a new contract, one must realize the role transit jobs have played in southern cities. In cities such as Miami, Atlanta, and New Orleans, transit employment opportunities represent what Ed Tally, Executive Vice President of TWU 291, describes as "our vehicle to the promised land."

In the 1950s and 1960s many young rural blacks, inspired by leaders such as Martin Luther King and the Southern Christian Leadership Conference (SCLC), came to southern cities seeking good jobs and a way to escape Jim Crow and the vicious circle of sharecropping and tenant farming. Ed Tally, for example, left the poverty-ladened sugar cane fields of Clewiston, Florida, to be a Dade bus driver in the early 1960s. Upon their arrival, these young blacks discovered that all the decent private sector jobs were reserved for whites. The public sector, however, was increasingly coming under the scrutiny of the courts and pressure from civil rights groups. Black women could find teaching jobs in the public schools and black men could become bus drivers and mechanics. When they formed unions, upward mobility, a fair standard of living and civil rights became their principle demands.

This coincided with the expansion of public sector buyouts of often bankrupt private transit companies, thus opening thousands of new transit jobs to the black community. Improved transit systems also provided a means for other residents from poor black and Cuban neighborhoods to get to hospitals, the newly desegregated schools, public libraries, and jobs. Many black college graduates are the sons and daughters of transit workers, and in many ways this small but growing black professional class is a direct byproduct of the South's transit unions and the public transit systems these unionists built.

In southern cities like Atlanta, where blacks have obtained considerable political power, public transportation and transit unionism have become even stronger. But in cities such as Miami, where black political power is on the decline, the white downtown elite has become even more entrenched and is currently on a crusade to dismantle the public bus system which minorities and the elderly have come to rely upon. In Miami, the downtown business interests and their friends in government are building a multi-billion dollar rail system which serves only a small number of well-to-do white professionals while enriching big developers and contractors.

TWU members in Miami knew for years that this transportation strategy and the day-to-day mismanagement that went with it was wrecking the system they had proudly helped to build. They also knew it was only a matter of time before the blame was put at their doorstep. But what could a union do? Public labor laws and the boilerplate management rights provisions in the TWU collective bargaining agreement said decision-making was management's domain, even if these decisions undermined the hours, wages and working conditions of union workers.

Local 291 leadership tried to step out of this vicious circle when they proposed a program which would increase the workers' ability to force MDTA to manage more efficiently. The union was forced to drop its contractual demands for the efficiency program in order to get a contract, and this was probably a good trade-off. But the union understood that county government in concert with the Chamber of Commerce was going to continue to beat the drum of privatization and reduced bus service in order to "fix" the problems at MDTA and expand the rail system which the Chamber cherishes so dearly.

The union was extremely successful at using non-traditional tactics to win their campaign for a new contract. But, the day before they settled the contract, a top county official warned that the real fight was privatization and that was "just around the corner." Though the union vowed to continue its public campaign against management's policy of privatization, its fightback committee structure was initially disbanded and most TWU 291 leaders concentrated their efforts on the day-to-day problems of enforcing the collective bargaining agreement.

Subsequently, the *Miami News* uncovered more evidence that Ryder Corp. and county and UMTA officials were finalizing plans to demonstrate to the nation that privatization works. Transit officials across the U.S. say it is unethical and a conflict of interest for Ryder executives to design, lobby, and directly negotiate with UMTA officials for a privatization project which Ryder will later bid on.

Then, in November 1986 the Dade County manager and the Reagan administration announced their agreement on a three-year experimental privatization project where 40 new buses will be turned over to a private operator, such as Ryder, to compete with MDTA. This experimental program will cost the county and state taxpayers at least $7 million. It will cost the private operating company nothing and, in fact, with taxpayers subsidizing all the costs, this company could pull in quite a hefty profit.

This new "experimental" program is the Reagan administration's and Ryder's foothold into expanding privatization to other unionized transit systems. This could be devastating to minority communities, the elderly, and other transit users across the U.S.

As *Labor Research Review* goes to press, TWU Local 291 has begun to revive its campaign against privatization and mismanagement, resurrecting its demands for worker input into management decision-making. In doing so, the union is not only fighting to save the jobs of 2,000 black and Hispanic workers in Miami. It is in the forefront of the gathering union-led fight to save a whole range of public services from those who talk about the "free market" on the front porch while arranging their special deals and boondoggles in back rooms. ■

Mr. OWENS. Thank you, Mr. McKay. Mr. Joseph Martin?

STATEMENT OF JOSEPH MARTIN, PRESIDENT, FLORIDA BUILDING CONSTRUCTION TRADES COUNCIL, TALLAHASSEE, FL

Mr. MARTIN. Mr. Chairman, I would like to thank the Members of Congress that came to Florida today to help us address some of the very real problems that we are experiencing.

I was invited here and showed an interest in testifying because I represent the building trades in Florida, and the building trades have experienced early on, some of the effects of deregulation.

And I would like to just for the interest of Congress, give you some very quick background, in how deregulation has affected the construction industry in Florida.

As you know, the national Davis-Bacon Act is still on the books, even though it is under attack each year, and every time there is an appropriation bill passed in Congress. However, the Business Roundtable, on a national level, has been attacking state legislative prevailing wage.

And in Florida, the prevailing wage laws began to be repealed or wages deregulated in 1974 on some phases of school construction, again, in 1976, on higher education, and then in 1979, on general government construction for all of the balance of general services type construction in Florida.

As a result of that, we have seen a major change in the construction industry from safety; hazardous occupations by their very nature, have become ultra-hazardous. We have a situation where a very cyclical industry, by employment standards, and people that follow the skilled crafts in traditional construction are faced with the realities that, in their industry, they have to negotiate a wage every three to four months, when they change construction sites. As one building is completed and they go to another, without a prevailing wage standard in the community, they are actually or literally on their own, every time they change employers.

You can envision the difficulty that presents for a person that is 40 years old and spent some 20 years of their life learning to be carpenter or an electrician or an iron worker, and trying to put a child through college, maintain a car and a decent home for their family.

It has destroyed any reasonable expectation of an annual salary for Florida construction workers. And has created a tremendous dilemma for us. One of the effects was recently—I think that it hit national media—where a young man, 30 years old, in West Palm Beach was killed at an airport facility, where there is government money, Federal money, I might add, in the construction.

And he was an individual who had expended the time to acquire an education, master the skills of his craft, and he was a Union carpenter. He was working on a job shop that now exists in Florida, called a merit job situation, where you had union and nonunion workers and he had a crew or an individual rig, that we call in the construction industry, some heavy equipment, beam for scaffolding and they swung it in the air, over this individual's head. Now, you have a semi-skilled worker in the vicinity, working on a project with skilled workers. And because they used the improper equipment—I have the newspaper article, they are in my presentation on the Palm Beach Airport project—these chokers or slings that they use to lift and attach the beam to the lifting equipment, broke and the equipment had been cited for being insufficient for construction activity several weeks before. The beam fell and killed the 30-year-old young man.

I have a letter that I just received here this morning, from his wife, and if the Chair will allow, I will read it before I close. It is a very interesting letter about how that particular death has affected her.

That is probably indicative of the whole problem with deregulation. When you destabilize the work environment so that workers can have no expectation of gradual advancement, some future, some hope for a better life; when you cause that destabilization, regardless of what industry it is in, you find a situation where people who have acquired skills and have seniority feeling in jeopardy—many of them above average individuals in capability and most of them having followed educational pursuits on their own, outside of their skills and crafts.

And so what we are experiencing in Florida, in the construction industry is an exodus of skilled people. We have people who are looking at the Palm Beach site, that have 25 and 30 years in the industry, saying, I don't want to work on a merit shop site and that is the basic reality in Florida today, so that I would rather be following some other occupational pursuit.

And we have skilled crafts people in the construction industry actually leaving it. People who are desperately needed, according to all national statistics, and they are leaving the industry because of the environment that we have allowed to be created there is actually killing them and jeopardizing their security.

And that is the kind of situation that deregulation creates, and I think that it tends to run true, throughout any industry, is that when you destabilize, you destroy the institutional employment factors, where you have seniority. You have some job qualities, health and welfare benefits, pension benefits that are accrued and workers start losing all of that as deregulation sets in.

And certainly the construction industry in Florida has been hit worse than any other industry to date.

Now, one last thing, it is interesting to note that corporate America's approach to solving many of their problems seems to create greater problems than the original problem. I will just point out to you that the business community determined some 15 years ago, or 12 years ago, that we needed more skilled construction workers in the industry. So, that one of the things that they did to accomplish that, was to try to break down the traditional skilled crafts, into many specialty trades.

And they are doing what is now called specialty training. Basically you take a four-year apprenticeship program and say the carpenter skills and you break it down into four or five individual one-year training programs on specialty skills. The theory being if you lose one of those employees, it is much easier to train another employee to take their place. But the reality being is that that employee is very limited in their skills so that their value to an employer is less, and they are not employed as frequently; they have a loss in economic income; and they also do not follow the construction industry.

Basically education pays off, and the new trend in business, as it relates to the construction industry is working detrimental to their own industry.

I would submit to the Congress, that one of the things that we need from the Congress is for the recognition of the health and welfare of the American populace—taxpaying, voting citizens should take precedent over corporate welfare.

And I think that we have somehow got our cart in front of our horse and corporate welfare, in many cases, is considered to be in the best interest of the nation, regardless of what it does for the people. And I would hope that this hearing and other things that you are doing in Washington, can help accomplish that new awareness in Congress.

Mr. **Owens**. And what is that term, merit shop?

Mr. **Martin**. Yes, sir.

Mr. **Owens**. Without objection, you may read the letter.

Mr. **Martin**. Thank you, sir.

On July 1, 1987, my husband, Tim, was killed at the Palm Beach International Airport Expansion Project. While I am not yet able to address the specifics surrounding this case, I can tell you a little bit about how this has affected my family.

One, my son, who is six years old, no longer has his fishing buddy, his wrestling partner, his mentor, advisor, and protector. He is suffering through the most intense loss that a child can endure and knows that his dad will never come home again.

As for myself, I have lost my husband, my child's father, my lover, my best friend, but more importantly, I have lost the one person in this world who loved me without conditions. The worst of times, I could always count on my husband to be there. Tim was a good man, generous and kind. He was concerned more about his family, friends and coworkers, than himself. At the airport job, he was always concerned about safety, never thinking of himself as a potential victim but of all of the other workers first.

And the bottom line here is that no family should ever have to suffer the pain and loss that my son and myself are having to work through—whether the job is a multi-million dollar venture, or a single, simple, single family house.

We as workers, taxpayers, and voters should demand that safety be addressed first and foremost. Greed and apathy have no place in construction, but it seems that the almighty dollar comes first and human lives are an irritating detail. The issue of construction safety extends far beyond the workers. It affects each and every member of society as we conduct our daily business in high rise office buildings, malls, condos, etc.

Do we really know that the structural integrity of each building is not compromised by foolhardy craftsmanship? Did the people who did the actual physical labor have to prove that they really knew what they were doing? When you go home and go to sleep tonight, do you know that your house is not going to burn down due to faulty electrical installation?

Do you know that the buildings that we deal with on a daily basis were safe for the workers while under construction, and are safe today for the general public? Or do we simply take safety for granted?

We must stop taking safety for granted. My family has been shattered as others before me have been, and if we fail to do anything about safety, more families will be destroyed. It could be any one of you tomorrow, next week or next month. We must take control and demand that safety be priority number one.

I would like to express my deep support to all of you for the tremendous support that I have received since this dreadful accident. Being newly affiliated with IBEW Local 323, myself, I have been overwhelmed by the way that all of the brotherhoods have supported me.

I am prouder than ever of Tim's affiliation and my affiliation with unions and if we all stick together, we can stop these needless deaths and destruction of families. As construction workers, we must send the message loud and clear to the contrac-

> tors and as voters we must send the message to the politicians all the way from the local level to Washington.
>
> Most of all, we must never forget Tim Tripto, because tomorrow, it could be you and your family. Thank you so much for your support, and you can count on hearing more from me in the near future.
>
> Thank you, Sally.

One other article to tie in to us, as consumers, the letter that I have just read, a recent newspaper article from a site in Florida, it is in the presentation, talks about a service station. And in Florida, a convenience store and service station are now combined, it is pretty much the norm.

A couple were sitting in their car, buying gas from this convenience store, and the concrete covering over the gas pumps collapsed and they were pinned in their car for about two hours.

I don't know the final outcome of this, but it ties directly into the situation that we are experiencing, with semi-skilled and unskilled workers in construction with the reality of how it faces all of us as consumers.

And, there is another article referenced here, I believe that it was 1982, at a job site in Coco Beach, Florida, called the Harbor Cay site. A building collapsed up there and 11 workers were killed. And many others were injured. And it was a situation where the workers, themselves, were doing things that were hazardous and they did not even know it. Anyone with experience could have told them that they were destined for failure. And yet, the building that they were constructing collapsed on them and they did not know it, and you can imagine what kind of a situation that creates for the consumer.

So something has to be done and certainly Congress can help in this area. Thank you, sir.

Mr. OWENS. Thank you, Mr. Martin. Ms. Mary Jane Barry?

STATEMENT OF MARY JANE BARRY, PRESIDENT, TRANSPORT WORKERS UNION, LOCAL 553, MIAMI SPRINGS, FL

Ms. BARRY. Good morning, Congressmen, and staff. I have submitted for the record our documentation to illustrate worker abuse at Eastern Airlines with the flight attendants and I will summarize that information for you now.

I would very much like to look 7,000 flight attendants directly in the eye and say, your careers are protected, however, I cannot do that. The situation at Eastern Airlines is desperate. The flight attendants who have loyally stood by their employers, now find themselves in an environment of uncertainty.

They are not certain as to when Frank Lorenzo's corporate chess match will wipe out their futures. They are unsure as to when they will falsely be accused of an infraction and then fired for a sham violation. Most of all of them, are in doubt as to when they will be seriously harassed on the job, forcing them to consider quitting their chosen livelihood.

And why this reign of harassment? The answer is all too simple. Mr. Lorenzo has chosen to rape the largest corporate asset—Eastern Airlines. He owns it. Why cannot he do what he pleases?

Whoever gets injured in the process are mere victims of the mysteries of the work place. To carry out this objective at Eastern, the company has to dance through a few legal barriers erected. This, their high-priced lawyers will gladly do. The carrier must lobby against critical protections, measures that introduce fairness and equality on the battlegrounds of merger and acquisition warfare.

The inclusion of flight attendants under the Fair Labor Standards Act, the passage of newly drafted Labor Protection Provisions and flight time duty limitations are just a few of Frank Lorenzo's Congressional hit list.

One critical element in the strategy to dismantle Eastern is to break the workforce. Fortunately Mr. Lorenzo has met formidable forces. The dignity and the respect and the skills my union members possess will not allow them to sit idly by and watch their airline destroyed. We diligently labored to uncover cost savings plans, better serve our passengers and make Eastern a true competitor in the work place.

He has to destroy his workforce, in order to carryout the objectives. To accomplish this under an umbrella of harassment has been initiated. His plans includes four aspects which have been uncovered at this point.

The flight attendants must be turned against one another—a new pay, lower-wage scale has been negotiated and the company favors them because they are cheaper labor in their eyes.

They are pitted against their colleagues.

The more senior flight attendants and obviously, higher paid flight attendants, are watched as if Big Brother himself, was chief of labor relations. My members are fired at a rate of 200 per year and this increases by 500 percent in just one year.

Union leaders are subjected to illegal discrimination. They are disciplined by the company as a tool to intimidate them into resigning their leadership positions. Working conditions and benefits are unilaterally changed, with the singular purpose of inflicting tremendous stress upon the flight attendants.

And working hours are improperly extended and new duties are imposed weekly and workers compensation recipients are fired.

There are obviously real stories behind these facts, as I have submitted as Exhibits. Human tragedy has become the untold story at Eastern. Let me share just a few of them with you.

There is the case of several flight attendants who have been sexually harassed by Eastern doctors. One flight attendant, after almost having a breakdown, resigned. The company is able to replace her with a lower B scale.

The other flight attendant had to get this doctor's approval to keep her job, fell apart and turned to alcohol. Knowing this, the company accused her of drinking on the job and fortunately an arbitrator ruled that Eastern had to put her back to work.

A flight attendant with an 8-year flawless record was on a flight from Los Angeles to Atlanta, and a random search was performed by Eastern, to account for movie headset money. A shortage of $2 was discovered. The flight attendant searched her smock for the monies and she overlooked and found it before landing and she was subsequently terminated.

We had a flight attendant who was currently disabled and management offered her either long-term disability benefits or disability retirement. They wanted her to choose retirement so that she could be replaced. She elected long-term disability which is guaranteed by the collective bargaining agreement and Eastern responded by terminating her.

There are many stories, all too many. It has been said that the loss of a career is like the loss of a family member. When one's income and security are destroyed, life is cheapened.

When 7,000 flight attendants go to work, wondering whether or not they will be a victim of the American workplace is a mockery. Now is the time for this Federal legislative body to conduct a full-fledged investigation of Frank Lorenzo and Eastern Airlines. A Congressional inquiry must be initiated.

A critical issue confronted this Committee today—what limits are to be adhered to the merger placing key assets into the hands of today's corporate robber barons?

I suspect that these parameters range from fairness to equality. These are terms not found in Lorenzo's vocabulary.

This completes my testimony and I thank you for the opportunity to speak before you today.

Mr. **Owens**. Thank you, Ms. Barry. Mr. Gil Escudero?

STATEMENT OF GIL ESCUDERO, INTERNATIONAL UNION ASSISTANT AREA DIRECTOR, A.F.S.C.M.E. FLORIDA, MIAMI, FL

Mr. **Escudero**. Thank you, Mr. Chairman, and Congressmen and staff.

A.F.S.C.M.E. is the largest public employee union affiliated with the AFL–CIO, 1.4 million members and most of them in the public sector, delivering services to people.

The on-the-job experience of our members at all levels of government shows that the use of private firms to deliver public services has serious shortcomings. These difficulties include, deterioration of service, increased cost, and corruption. We are also increasingly aware of the significant social costs, especially to women and minorities who have just begun to make substantial progress in their professional development.

Ironically, although one can hardly open a newspaper without seeing the latest corruption debacle, but the push for privatization is on.

In some circles, privatization has been heralded as the boom for small business. In fact, privatization has been most profitable to the large conglomerates, battered by foreign competition in seeking new customers. These companies can draw on their resources in other divisions to obtain contracts with a low bid to get the foot in the door.

Contracting out frequently costs more, not less, than in-house provision of services. Even what looks like a dollar savings, it is often an illusion. The real costs are not usually considered. A new layer of bureaucracy is created to deal with the bidding process, administering the contracts, and to monitor the results, and supervise the contractor's personnel, are added to the employees who are presently there.

They often have to complete the work done by the contractor and correct the mistakes, even if the dollar amount on the contract looks cheaper, the amount paid may be higher as the contractor renegotiates cost overruns and loopholes.

Not only is the cost of contracting out usually higher than expected, but it is also a high price to pay in credibility of government. The contractor's only goal is to maximize his profits, which leads to cutting corners on service quality; perhaps hiring inexperienced, transient personnel; skimping on supervision and cutting contract corners.

Accountability of public officials to their citizens is reduced. The lack of flexibility can be a devastating impact on the government's ability to provide needed services. And when government's response is inadequate, citizens become disillusioned and lose confidence.

Beyond the issue of incompetence and unresponsiveness, the use of private vendors to perform public services, frequently leads to widespread corruption—bribery, kickbacks, collusive bidding, conflict of interest and charges for work that is never performed.

Contracts become vehicles to reward cronies and campaign supporters, just as in the days of the spoils system, when public jobs were doled out as patronage.

There also are some very serious social/economic consequences of contracting out that may be more subtle. In a 1985 report funded by the Federal Government, the Joint Center for Political Studies, examined what happens to the workforce when municipal employment is reduced. The greatest impact was on minorities and female workers, as more of them in higher paid positions are adversely affected. Because women and minorities are better represented in professional and managerial positions in the public than they are in the private sector. And privatization tends to contribute to a decline or stagnation in their careers, as these jobs move to the private sector.

Upward mobility is greatly reduced and minority and female workers in the supervisory level are especially affected. A similar study by Arizona State University mirrors these results.

Women and minorities may find their opportunities constrained even more severely as privatization tends to occur more frequently in those professional areas where women and minorities are heavily concentrated.

Private firms which take over public services usually have two groups of employees. The first high-level management and the workers.

The ability to move from a lower to a higher skilled position is extremely limited since mid-level positions are eliminated.

Even though the number of private sector jobs may increase, as the public sector decreases, the quality of jobs changes. Comparisons of similar private and public service providers indicate that private firms rely more heavily on unskilled labor. While it appears that the work is the same, jobs are frequently redefined, with a resulting de-skilling of positions, meaning lower pay scales, fewer benefits and less opportunity for advancement.

Theoretically it is possible for government to spend a similar amount to provide a similar service, both directly or through a contractor. In the former system, government may create a number of jobs for middle class workers.

The NAACP and A.F.S.C.M.E. recently joined forces to fight contracting out in Metro Dade County. Over 60 percent of the Metro Dade County's workforce, is minority workers, approximately 34 percent females. And Metro Dade reports for the EOC show that 36 percent of the officials and administrators are Black, Hispanics and other minorities, while almost 23 percent are women. Over 52 percent of all professionals are minorities, while women compose 42 percent of the total.

At the lower end of the job spectrum the service maintenance job category is predominantly filled with minority employees—over 80 percent, while the office clerical category is almost 80 percent female and minority. Despite some notable failures, in privatization the Dade County Manager is pushing his department heads to contract out. If he is successful with this, this will nullify Metro Dade's stated affirmative action policies to increase equal opportunities and encourage professional advancement for women and minorities.

In sum, privatization is not a panacea for the current problems facing government, rather, the tendency towards increased privatization is a shortsighted solution which gives rise to a new set of dangerous possibilities. In a few years, the shift to privatization could result into an economy dominated by a few uncontrollable private service monopolies, unresponsive to the citizens needs, or government oversight.

Instead of elected officials and public administrators, private businesses, often located thousands of miles from the jurisdiction and concerned only with profits rather than service, will eventually dictate how much public goods will cost.

Public advocates of privatization will no doubt continue to contract out more, and more, if only to take advantage of the attractive benefits of eliminating union confrontations, and cutting public payrolls, thereby, resulting in the publicized promise of cost savings.

However, these savings are misleading. A.F.S.C.M.E. urges public officials to look beyond what appears to be a short term benefit. And consider the long term devastating effects of privatization—escalating costs with no alternative in-house fallback; the social setback to women and minorities, and the opportunity for corruption which would permeate our community and discredit our government.

Thank you, very much.

Mr. OWENS. Thank you, Mr. Escudero. Mr. Bryan?

STATEMENT OF CHARLES E. BRYAN, PRESIDENT AND GENERAL CHAIRMAN, DISTRICT 100, INTERNATIONAL ASSOCIATION OF MACHINISTS, MIAMI, FL

Mr. BRYAN. Thank you, Mr. Chairman and Congressmen and the Panel.

I hired in over 31 years ago, at Eastern Airlines as a mechanic and continue to carry that seniority date, but for more than 16 years, now, I have been a full-time employee of the union representing those employees.

I would just like to say that we all know that we have been inundated for the last several weeks with testimony about the rights of the Nicaraguans to have freedom, freedom to run their own government and I am not commenting either pro or con on that issue.

But I have heard the high-level people in our government testifying about how they believe in those people's right to have the freedom to run their own government, and to control their destinies.

We have been hearing it from our President and from high officers of this country, and many members in Congress for about three years now.

There is another atrocity that I wanted to bring to your attention and that is the 40,000 employees of Eastern Airlines. And those employees have never gone to Congress and never gone to Washington asking for a dime of help, such as Chrysler or Lockheed. Those employees sacrificed a billion dollars in wages over the last ten years, and in 1984, alone, they sacrificed $300 million in wages and bought 25 percent of their own company, with the hope to influence the running of that company.

And for more than 2.5 years, I served on that board, as a part of that package that we made in 1984. The employees of Eastern have proven that this codetermination would work, and in 1985, the first seven consecutive months of the very year that they sold this company, those same employees working together made a $168 million in net profit—almost $300 million in operational profit.

That is more than the company made in its entire 55-year history just in that seven consecutive months of the year that they sold the airline and yet, they claim that Frank Lorenzo came to our rescue because we were in such great trouble.

Union leadership, all of my staff, almost eliminated the adversarial role, that we normally would have, and we taught our people and all of our general chairmen and vice presidents, and officers, and chief stewards, and shop stewards, we are training our people to produce the best product and the best service and to run the best airline that they could.

Those same people, are now being terminated en masse. Those same leadership people, and chief stewards and shop stewards. One chief steward was fired for simply asking a member of management, why they were stripping 13 bulletins from his bulletin boards and taking away his right to communicate with our membership?

And although the employees sacrificed $300 million in wages in 1984, alone, and a grand total of nearly a billion dollars in the last ten years, and held between 30 and 35 percent ownership of their own company, the Board of Directors, in the early hours after midnight on February the 24th, gave the airline to Union-buster, Frank Lorenzo, for less than what the employees had paid for the 25 percent ownership in 1984.

Eastern paid approximately $340 million toward their own purchase, which is a turnover by corporate people to Frank Lorenzo, the banking people who were really controlling that thing.

The question that I ask—why does our nation's President and our high government officers and officials, who express such great concern for the Nicaraguans' rights to freedom and democracy, just shrug their shoulders when we ask, why don't the 40,000 employees of Eastern Airlines have the right to have the freedom and the democratic right to run their own company?

I ask that question, Congressmen and I will answer my own question. It is because so far, no one has shown the courage to buck the enormous pressure of all of the influence peddlers who have gone through the revolving door, holding top positions of the CAB and the FAA, White House aids and the SEC and Judgeships, who now work for Frank Lorenzo.

Those former government employees have become notorious for their iron-clad control of the Washington scene. And until now, no one has taken action against the atrocities that have been perpetrated on the employees of Eastern by Frank Lorenzo. He has crushed this magnificent model of corporate labor/management relations at Eastern Airlines which could have set the standard for all of America to fix the economy of our country.

He turned that Camelot culture, which we had created at Eastern Airlines, into a house of horrors. And since Lorenzo's takeover, we have ten times the number of employees being terminated at our labor group—fired for disciplinary charges. Those are the same dedicated employees who had committed themselves, to the maximum productivity and to provide the best product and the best service to the flying public.

By contrast, look at the record that Frank Lorenzo has created, after busting all of the Unions and driving them away from Continental Airlines—there has been an increase of 1108 percent in customer complaints of that carrier in the last year alone.

While Continental's complaint record is more than twice as bad as Eastern's, the complaint record of Eastern Airlines has increased 720 percent in the past year under Frank Lorenzo's management. With only 18.2 percent of the total passenger market, Frank Lorenzo's carriers have more customer complaints than all of the rest of the airline industry combined.

That is not an EAL union problem and not an employee problem. That is a public problem clearly caused by Frank Lorenzo's management and yet, our government shrugs.

We believe that we must have full hearings, full hearings specifically on the improprieties of the transaction where Eastern Airlines was stolen away from its rightful owners, its employees.

We will have many victims of employees' abuse testify here today and I have attached a number of documents and affidavits to my testimony with examples of employee abuses.

I have also attached the full text of my oral and written testimony submitted before the Senate Committee on Banking, Housing and Urban Affairs, on April the 8th, to demonstrate in detail, the technical report on the atrocities against corporate democracy committed when Texas Air's acquisition of Eastern Airlines took place.

The impact of the vicious and insensitive treatment of employees, especially with the new Lorenzo Management attendance program has now reached the point where large numbers of employees are terrified when they become seriously ill. They are terminated and threatened to be terminated after experiencing heart attacks and various other disabling illnesses. Many employees report that they must come to work infected with contagious diseases. Others who have attacks on the jobs must hide from management and they are forced to ignore doctor's orders for therapy and treatment, for fear of being terminated.

Some employees have experienced the ultimate abuse, and resorted to suicide.

In conclusion, on behalf of all of the Employees of Eastern Airlines, we make an urgent appeal to Congress to use all of their extraordinary powers of their offices, to bring relief to this deserving workforce.

Thank you.

[Prepared statement of Charles E. Bryan follows:]

Prepared Statement of Charles E. Bryan on Behalf of District 100, International Association of Machinists and Aerospace Workers

FOR THE LAST SEVERAL WEEKS, WE HAVE BEEN INUDATED WITH TESTIMONY FROM HIGH LEVEL MEMBERS OF OUR GOVERNMENT, AND FOR THE PAST TWO OR THREE YEARS WE HAVE HEARD FROM OUR PRESIDENT, OUR VICE PRESIDENT, AND MANY MEMBERS OF CONGRESS AND HIGH LEVEL CABINET MEMBERS FROM OUR GOVERNMENT THAT THEY ALL BELIEVE THAT THE PEOPLE OF NICARAGUA HAVE THE RIGHT TO HAVE THE FREEDOM TO RUN THEIR OWN COUNTRY AND TO RUN THEIR OWN GOVERNMENT. THEY ALL SUPPORT GOING TO GREAT LENGTHS AND SPENDING HUNDREDS OF MILLIONS OF DOLLARS OF TAXPAYERS' MONEY AS WELL AS OTHER SCHEMES WHICH COULD EMBARRASS OUR GOVERNMENT TO SUPPORT THE FIGHT OR THE RIGHTS OF THE NICARAGUANS TO HAVE THE FREEDOM TO RUN THEIR OWN COUNTRY.

THE 40,000 EMPLOYEES OF EASTERN AIR LINES HAVE SACRIFICED NEARLY A BILLION DOLLARS IN WAGES TO SUPPORT THE FINANCES OF THEIR COMPANY. IN 1984, WE WERE INVOLVED IN A WAGE INVESTMENT PROGRAM THAT SACRIFICED NEARLY $300 MILLION, IN THAT YEAR ALONE, TO PURCHASE 25% OF ALL OF THE VOTING STOCK OF THEIR OWN COMPANY. IN JANUARY OF 1986, THOSE SAME EMPLOYEES HAD A GROUNDSWELL OF SUPPORT TO GO DIRECTLY TO STOCKBROKERS TO BUY A MAJORITY OWNERSHIP OF THEIR OWN COMPANY SO THEY WOULD HAVE THE FREEDOM TO RUN THEIR OWN COMPANY.

THE EMPLOYEES OF EASTERN HAD A WELL-PROVEN RECORD, VALIDATED BY THE MANAGEMENT OF EAL THAT THIS CODETERMINATION CULTURE WAS WORKING AT EASTERN AND WAS SUCCESSFUL. DURING THE FIRST SEVEN CONSECUTIVE MONTHS OF THE VERY YEAR EASTERN AIR LINES WAS SOLD, THEY MADE $168 MILLION IN NET PROFIT, AND ALMOST $300 MILLION IN OPERATIONAL PROFIT. DURING THOSE SEVEN CONSECUTIVE MONTHS OF THE YEAR THEY SOLD THE AIRLINE, THE EMPLOYEES, WORKING TOGETHER, RAN THEIR AIRLINE AND MADE MORE PROFIT THAN THE TOTAL AMOUNT OF PROFIT GENERATED DURING THE ENTIRE 55-YEAR HISTORY OF THE AIRLINE PRECEDING THAT DATE.

THE UNION'S LEADERSHIP ALMOST ELIMINATED THEIR TRADITIONAL ADVERSARIAL ROLE AND USED ALL OF THEIR GENERAL CHAIRMEN, CHIEF STEWARDS, AND SHOP STEWARDS TO TEACH ALL OF THE EMPLOYEES TO HAVE THE MAXIMUM PRODUCTIVITY AND PRODUCE THE BEST PRODUCT. THE UNION CONDUCTED SPECIAL TRAINING SESSIONS TO ACHIEVE THOSE GOALS TO BEST SERVE THE PASSENGERS OF EASTERN AIR LINES. THOSE SAME CHIEF STEWARDS ARE NOW BEING TERMINATED ENMASSE. ONE CHIEF STEWARD WAS FIRED FOR SIMPLY ASKING A MEMBER OF MANAGEMENT WHY THEY WERE STRIPPING 13 BULLETINS FROM HIS BULLETIN BOARD AND INTERFERING WITH OUR RIGHT UNDER THE RAILWAY LABOR ACT TO COMMUNICATE WITH OUR MEMBERSHIP.

ALTHOUGH THE EMPLOYEES SACRIFICED $300 MILLION OF WAGES IN 1984 ALONE, AND A GRAND TOTAL OF NEARLY A BILLION DOLLARS IN THE LAST TEN YEARS AND HELD BETWEEN 30 AND 35% OWNERSHIP OF THEIR COMPANY, EASTERN AIR LINES' BOARD OF DIRECTORS IN THE EARLY HOURS AFTER MIDNIGHT ON FEBRUARY 24, GAVE THE AIRLINE

TO THE UNION-BUSTER FRANK LORENZO FOR LESS THAN WHAT THE EMPLOYEES PAID FOR 25% OWNERSHIP IN 1984. EAL PAID APPROXIMATELY $340 MILLION TOWARD THEIR OWN PURCHASE WHICH WAS A TURNOVER TO FRANK LORENZO BY THE CORPORATE FINANCIAL BARONS WHO WERE CONTROLLING THE ACTIVITIES OF THAT BOARD OF DIRECTORS.

THE QUESTION I ASK IS WHY DOES OUR NATION'S PRESIDENT AND OUR HIGH GOVERNMENT OFFICIALS WHO EXPRESS SUCH GREAT CONCERN FOR THE NICARAGUANS RIGHTS TO FREEDOM AND DEMOCRACY, JUST SHRUG THEIR SHOULDERS WHEN WE ASK WHY DON'T THE 40,000 EMPLOYEES OF EASTERN AIR LINES HAVE THE RIGHT TO HAVE THE FREEDOM AND DEMOCRATIC RIGHT TO RUN THEIR OWN COMPANY. I ASK THAT QUESTION WHY, CONGRESSMEN, AND I WILL ANSWER MY OWN QUESTION. IT IS BECAUSE SO FAR, NO ONE HAS SHOWN THE COURAGE TO BUCK THE ENORMOUS PRESSURE OF ALL THE INFLUENCE PEDDLERS WHO HAVE GONE THROUGH THE REVOLVING DOOR HOLDING TOP POSITIONS OF THE CAB, THE FAA, WHITE HOUSE AIDS, SEC, AND JUDGESHIPS WHO NOW WORK FOR FRANK LORENZO. THOSE FORMER GOVERNMENT EMPLOYEES HAVE BECOME NOTORIOUS FOR THEIR IRON-CLAD CONTROL OF THE WASHINGTON SCENE.

UNTIL NOW, NO ONE HAS TAKEN ACTION AGAINST THE ATROCITIES THAT HAVE BEEN PERPETRATED ON THE EMPLOYEES OF EASTERN BY FRANK LORENZO. HE HAS NOW CRUSHED THE MAGNIFICENT MODEL OF CORPORATE LABOR MANAGEMENT RELATIONSHIP AT EASTERN AIR LINES WHICH COULD HAVE SET THE STANDARD OF ALL OF AMERICA TO FIX THE ECONOMY OF OUR COUNTRY. HE TURNED THAT CAMELOT CULTURE WHICH WE CREATED AT EASTERN AIR LINES INTO A HOUSE

OF HORRORS. SINCE LORENZO'S TAKEOVER, WE HAVE TEN TIMES THE NUMBER OF EMPLOYEES BEING FIRED FOR DISCIPLINARY CHARGES. THOSE ARE THE SAME DEDICATED EMPLOYEES WHO HAD COMMITTED THEMSELVES TO THE MAXIMUM PRODUCTIVITY AND PROVIDING THE BEST PRODUCT AND THE BEST SERVICE FOR THE FLYING PUBLIC.

BY CONTRAST, LOOK AT THE RECORD FRANK LORENZO HAS CREATED. AFTER BUSTING ALL THE UNIONS AND DRIVING THEM AWAY FROM CONTINENTAL AIRLINES, THERE HAS BEEN AN INCREASE OF 1108% IN CUSTOMER COMPLAINTS OF THAT CARRIER IN THE PAST YEAR. WHILE CONTINENTAL'S COMPLAINT RECORD IS MORE THAN TWICE AS BAD AS EASTERN'S, THE COMPLAINT RECORD OF EASTERN AIR LINES HAS INCREASED 720% IN THE PAST YEAR UNDER FRANK LORENZO'S MANAGEMENT. WITH ONLY 18.2% OF THE TOTAL PASSENGER MARKET, FRANK LORENZO'S CARRIERS HAVE MORE CUSTOMER COMPLAINTS THAN ALL OF THE REST OF THE AIRLINE INDUSTRY COMBINED. THAT IS NOT AN EAL UNION PROBLEM NOR AN EAL EMPLOYEE PROBLEM. THAT IS A PUBLIC PROBLEM CLEARLY CAUSED BY LORENZO'S MANAGEMENT AND YET OUR GOVERNMENT SHRUGS. WE BELIEVE WE MUST HAVE FULL HEARINGS...FULL HEARINGS SPECIFICALLY ON THE IMPROPRIETIES OF THE TRANSACTION WHERE EASTERN AIR LINES WAS STOLEN AWAY FROM ITS RIGHTFUL OWNERS, ITS EMPLOYEES.

WE WILL HAVE MANY VICTIMS OF EMPLOYEE ABUSE TESTIFY HERE TODAY AND I HAVE ATTACHED A NUMBER OF DOCUMENTS AND AFFIDAVITS TO MY TESTIMONY WITH EXAMPLES OF EMPLOYEE ABUSES. I HAVE ALSO ATTACHED THE FULL TEXT OF MY ORAL AND WRITTEN TESTIMONY SUBMITTED BEFORE THE SENATE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS ON APRIL 8, TO DEMONSTRATE IN DETAIL A

TECHNICAL REPORT OF THE ATROCITIES AGAINST CORPORATE DEMOCRACY COMMITTED WITH THE TEXAS AIR ACQUISITION OF EASTERN AIR LINES.

THE IMPACT OF THE VICIOUS AND INSENSITIVE TREATMENT OF THE EMPLOYEES ESPECIALLY WITH THE NEW LORENZO MANAGEMENT ATTENDANCE PROGRAM HAS NOW REACHED THE POINT WHERE LARGE NUMBERS OF EMPLOYEES ARE TERRIFIED WHEN THEY BECOME SERIOUSLY ILL. THEY ARE TERMINATED AND THREATENED TO BE TERMINATED AFTER EXPERIENCING HEART ATTACKS AND VARIOUS OTHER DISABLING ILLNESSES. MANY EMPLOYEES REPORT THAT THEY MUST COME TO WORK INFECTED WITH CONTAGIOUS DISEASES. OTHERS WHO HAVE ATTACKS ON THE JOB MUST HIDE FROM MANAGEMENT AND THEY ARE FORCED TO IGNORE DOCTORS' ORDERS FOR THERAPY AND TREATMENT FOR FEAR OF BEING TERMINATED. SOME EMPLOYEES HAVE EXPERIENCED THE ULTIMATE ABUSE AND RESORTED TO SUICIDE.

IN CONCLUSION, ON BEHALF OF ALL OF THE EMPLOYEES OF EASTERN AIR LINES, WE MAKE AN URGENT APPEAL TO CONGRESS TO USE ALL OF THE EXTRAORDINARY POWER OF THEIR HIGH OFFICES TO BRING RELIEF TO THIS DESERVING WORK FORCE. THANK YOU.

Mr. OWENS. Thank you, Mr. Bryan. Mr. Breslin?

STATEMENT OF CAPT. ROBERT BRESLIN, COUNCIL CHAIRMAN, EASTERN AIRLINES PILOTS OF THE AIR LINE PILOTS ASSOCIATION, CORAL GABLES, FL

Captain BRESLIN. Thank you, gentlemen, for coming today.

My name is Robert A. Breslin and I am an Eastern Airlines Captain and the current Chairman of the local Executive Council in Miami of the Air Line Pilot Association at Eastern.

It is my opinion, and one shared by many experts within the industry and without that Eastern Airlines is probably the best example of why mergers and acquisitions should incorporate safeguards to protect the innocents caught up in the wheeling and dealing of those high-stake corporate poker players so much in the news these days.

Eastern is an airline that was sold at the wrong time to the wrong company for the wrong price and for the wrong reason. And the sale did not end or even diminish the economic woes facing the airline, but in fact, exacerbated them.

Our previous management callously practiced a scorched earth policy in order to keep the airlines out of the hands of its employees who represented the largest single shareholder block, accounting for approximately 25 percent of the outstanding company shares.

Our board of directors followed along by conducting a firesale, when there was no fire. Our new management has created a cash cow to be milked for all that it is worth, until it runs dry and serves no further purpose.

My once proud airline was sold to Texas Air, at a price far less than the recognized value of its assets and Eastern Airlines wound up paying more than 51 percent of the cost of its own acquisition.

It was skyway robbery, yet the sale went unchallenged by those government regulatory bodies, whose primary function it is to assure that we all play on a level playing field.

Not only did the employees/stockholders lose as their personal shares of stock were undervalued and forced from them, but they continue to lose as our new management applies coercive pressures at every turn to drain every last ounce of profit from our airline and funnel it back to its tightly controlled holding company.

About 20 percent of the nation's airline system is serviced by the various divisions of Texas Air Corporation. And it is precisely that company that is in the most serious trouble with government concerning various FAA violations, delayed and cancelled flights, passenger complaints and lost baggage and the like.

All of this is not happening by accident. Management has clearly signaled its intent by word and deed. It wants to downsize Eastern because it considers our labor costs, currently at the low end of the energy spectrum, prohibitively high, so that it is spinning off our profitable assets and transferring them to other divisions of the corporation, and in some instances leasing them back to us at exorbitant rates.

It is also imposing onerous work rules, which have resulted in the early retirement or resignation of over 600 pilots, 15 percent of the pilot workforce, in the few short months since Texas Air has taken control.

Those who can are voting with their feet and leaving Eastern to start new careers at airlines who appreciate the skills and dedication that they bring to the job. Those who cannot leave because of seniority status or family commitments, are trying as best as they can to cope. It is difficult for some, impossible for others.

In a major independent study on pilot stress, recently conducted by Virginia Polytechnic Institute, the university compared pilots from three leading airlines and it was amazed to discover the extraordinarily high degree of stress factors being experienced by the Eastern pilots.

Over 25 percent of the Eastern pilots, and over 40 percent of their spouses, reported frequent symptoms of depression. The figure is twice as high as those for more stable airlines. Over 20 percent of Eastern pilots report fair or poor mental health. It is clear that the pilots at Eastern are already reaching the limits of their coping ability.

Never before have such high levels of stress been documented.

It is clear that our pilots are bringing their stress into the cockpit. It is probable that each day, 1 percent of all Eastern flights have three highly stressed crew members in the cockpit. And that work stress is predicted to escalate as pay is further cut, work rules are changed and pilots are furloughed.

The Company seems to be operating with their own special pain index, it constantly probes with one outrageous demand, after another, to see how much pain can be tolerated, without causing outright rebellion.

It is a management that says, this is the only way it can compete and profit in today's deregulated skies. Yet, to look at the other major carriers, in the industry puts a lie to that statement.

All of the others are prospering and growing, guided, for the most part by a management which works in harmony with its workers. Mergers and acquisitions are not inherently bad. They can be of vital importance in invigorating an ailing company, with new life and making it more productive in a changing economy.

But when such activity is pursued for the sole purpose of tearing down, rather than building up, no one is served, save those reaping the windfall, and the employees, their families, their local communities and society in general is left much the poorer for it.

I would like to add one comment. Mr. Frank Lorenzo appeared last week before the President's Committee On Aviation Safety and the gist of his or the general tone of it was such as to try to blame our very valid and important safety concerns on a union smokescreen regarding our labor disputes. Well, this is not the case. The Air Line Pilots Association and the IAM and the TWU has voluminous documentation as to the safety problems here at Eastern Air Lines. But, without producing that documentation, which we can and we will be happy to, you only have to look at Continental and People's Express. Continental and People's Express have no unions to protect them. And they have the worst service record in the industry.

The problem is not with labor. The problem is not with the unions. The problem is with this management and their main, perhaps their sole concern which is the bottom-line dollar morality. All they want to do is squeeze every nickel out of the company and only the employees, the passengers and the public suffer. Thank you very much, gentlemen.

Mr. OWENS. Thank you, Captain Breslin. Captain McClure.

STATEMENT OF CAPTAIN DON McCLURE, CHIEF ACCIDENT INVESTIGATOR, AIR LINE PILOTS ASSOCIATION

Captain McCLURE. Chairman Owens, members of the committee and the staff, good morning.

My name is Donald McClure. I am a Captain with Eastern Air Lines. I am also the Chief Accident Investigator for the pilots at Eastern and I am the Chairman of the National Accident Investigation Board for the Air Line Pilots Association. I am here today to speak to you, gentlemen, for two air line pilots at Eastern who can no longer speak for themselves.

On November 6, 1986, Eastern Air Lines Captain William Bain, flying his privately-owned aircraft crashed into a Pan American 727 while attempting to land at the Tampa International Airport. Captain Bain was killed.

In its preliminary report, the National Transportation Safety Board indicated that the pressure to arrive at his destination may have affected the Captain's judgment, lending to the disastrous ending.

The NTSB report stated: The Apache pilot elected to descend below Decision Height and attempted to land even though he did not see the appropriate ground references. Since this decision was inconsistent with his experience and reputation as a capable pilot, his motivation for choosing this course of action was examined.

After the unsuccessful first approach, the pilot could have deviated to an alternate airport, such as St. Petersburg. However, since he was coming to work, diverting to an alternate airport would have caused him to be late for his scheduled departing time. Therefore, the Safety Board examined those Eastern personnel policies that would have applied to such a situation and that might have influenced the pilot's decision making process.

The Apache pilot was probably aware that the Eastern Air Lines Flight Operations Manual discouraged pilots from flying their personal aircraft within 12 hours of a scheduled flight. The chief pilot stated that the pilot may have thought that he would be disciplined for delaying his scheduled trip departure, since he had previously received a letter recommending that he "take correct measures to prevent a recurrence" of a delay which took place over five years before the accident. This delay was described as a "serious failure to fulfill your job responsibility." Although the pilot had a perfect attendance for those five years, he may not have been aware of a three-year limitation on disciplinary action for a second trip delay. Consequently, the pressure to successfully land at the Tampa airport, rather than to divert to an alternate airport in order to report for duty on time, probably was largely self-generated on the part of the Apache pilot.

In another incident which occurred two months' ago, an Eastern Air Lines first officer, who was also a pilot in the Air National

Guard, was killed when he collided with the ground during an Air Force training exercise.

The Air Force thoroughly investigated the accident in which the pilot was performing low-altitude aerobatics over the house of a friend in violation of existing rule.

In its report, the Air Force said, "The mishap pilot was highly experienced and considered a supervisor, a flight commander. If any pilots in the squadron were to be trusted, he was considered high on the list."

In investigating the human factors that may have contributed to the accident, the Air Force pilot concluded—pardon me. The Air Force report concluded: On the day of the mishap, the mishap pilot came into the squadron in the middle of a 10-day period away from home. He was reportedly concerned about his job stability, financial future and family responses to those matters. This concern was chronic, lasting over a period of several months. He was in a decision-making process which occupied a certain amount of mental reserve or cognitive processing energy and time. His stressors were multiple, including the following:

(1) Motivation to succeed in his career, instilled at an early age.

(2) His concern over that career.

(3) The complicated schedule requiring multiple family separations and reintegrations along with constant state of change and physical stress.

(4) Conflicting goals of wanting to fly and spend time with his family.

(5) Lack of time spent in pleasurable non-work activity, although flying was a pleasure to him.

(6) The apparent threat to his sense of control of direction of his life and his career.

(7) Friends and support systems were changing. His friends moved from the St. Louis area and his decision regarding the move of his family to Florida to be with his wife's family.

And (8) and finally, but not least: Mild fatigue.

One additional stressor which was more current and worth of particular note regards family pressures interfacing with his work stressors. It is noted that the pilot's job at Eastern was changing. He was going to receive a pay cut and downgrade in status as a result of cutbacks. His family appeared to provide pressure for him to improve or at least maintain their current financial status.

There was also a significant pressure for him to spend more time at home. In coming into the Reserve unit on the day of the mishap, he requested an additional sortie, getting a requirement out of the way and making additional income. This would have undoubtedly left additional time in the future to be with his family.

These are but the most extreme cases coming to our attention on a daily basis concerning the safety-related incidents at Eastern Air Lines. Since Eastern was bought, the new management has been chipping away at safety practices considered by the industry to be a standard for a number of years. That is why we are urging all pilots to take extra care when flying their trips and to report all safety violations directly to the appropriate Congressional committees and to the regulatory agencies.

I thank you very much for our opportunity to speak before you today.

Mr. OWENS. Thank you, Captain McClure.

Before we begin some questions of the panelists, I would just like to note that you need to know the bigger picture as we see it in Washington. And perhaps you do know that we have a number of items of legislation seeking to deal with working conditions. We have a jobs rights legislation. We have plant notification legislation which was passed out of our committee.

Has that passed on the floor already? It has not gone to the floor, yet, but double-breasting legislation to protect union rights in the construction industry has passed already out of our committee and has passed the House. We have parental leave legislation in the works. We have pension right protection legislation. A number of items, also, have been introduced and have not moved very far as basic as minimum wage legislation to increase the minimum wage, and are finding difficulty in getting people to sign on as sponsors, just to raise the minimum wage.

I say all this because, as I listen to your testimony, I think that the measures that we have under consideration and that have been initiated by the Education and Labor Committee are about 10 years behind time, you know. They are basic important items that ought to be attended to, but as a whole arena of protection for workers in the area of deregulation where mergers are concerned, and new privatization efforts are being made which we are really not addressing.

They are addressing these issues in the Energy and Commerce Committee from the point of view of management. They are addressing these issues in the overall leadership of the Congress from the point of view of making America more competitive. They talk about these issues only in terms of: What do we need to do to make our economy more competitive with the rest of the world's economy.

And the arguments never come from the direction that I hear this morning. What you are saying, your story is never heard. There is very little interest in that story. And I think we need to, first of all, understand that and find more ways to get your side of the story told in terms of what deregulation and the merger mania, which generally is approved by Congress because there is a notion that every time these mergers take place and you hear these numbers and consolidation and so forth, somehow our economy is improving. There is no evidence, really, that our economy is improving.

We have an Administration which certainly goes to great lengths to make it appear that way. They have a great deal of cooperation, I think, from the press. You know, deregulation has wrecked havoc in the banking industry. We have serious problems in the banking industry, but not much is said about it. The media does not really address the issue in proportion to how serious it is. And most Americans have never heard of the Continental Bank Rescue. You don't know how much of American taxpayers' money was used to rescue Continental Bank. Most people don't know that four billion dollars of the taxpayers' money was used in the Federal Deposit Insurance Corporation to rescue Continental Bank, which, as a result of deregulation, had gone wild. In addition to the four billion dollars in taxpayers' money, they had to pump another four billion dollars from other sources, from other banks and other private institutions because the Reagan Administration determined that to let that bank go down the drain, to let free enterprise take its course, to just leave it there would have led to a situation where all of the numerous foreign investors in that bank and other banks would be frightened and that they might, as a result of a Continental Bank collapse, pull their money out of other banks in this country and lead to a massive dislocation in the economy.

So, they socialized banking. Continental Bank is a socialized bank, in case you did not know it.

Those kinds of things are happening. And the story is not being told of what it means and the implications of deregulation impacts on the economy—it is not even working in their own high levels of high finance. It has not proven itself. Certainly, it is not working well for the consumers. I ride the air lines frequently and I do not need anybody to tell me of the difference between the air lines now and the air lines a few years ago: the kind of service you get, the disaster—one of the worst trips I have ever taken was taken yesterday on Eastern Air Lines. [Laughter.]

To come to Miami. It was outrageous. And I am sure that I could see, another way I know, that a lot of what happened wrong was due to cost savings and the trimmings that are going on. The pressure—nobody seemed to be in charge, really, much of the way in that flight from beginning to end.

But it is important that you understand that in the context of what is happening in this country, today, there is a missing element. And what you have is that missing element. What your unions possess is the power to make certain that there is more exposure for the arguments that you have to offer.

It is important to note, I think, that we are talking this morning so far with this panel about the construction industry, which is not a competitive world-wide industry. Construction is local. You are not competing with Japanese companies or German companies. You know, there may be some extremes where you have an enormous project where they feel it is worthwhile to come in to bid on, et cetera; but, in general, I do not think you are competing with an international product.

And we are talking about transportation. Transportation locally here in Dade County, transportation nationally, at least. You are really not competing. They will not allow it. There is enough regulation. Japanese do not have franchise to operate air lines internally, yet, nor neither do the European economic community.

There is competition maybe on international air lines, but, even in these two areas, the competitive argument is being used. The attempt to use the competitive argument to lower the standard of workers in order to lower labor costs as if labor costs was the primary concern.

What needs to be told, nobody is going to tell it without your efforts being increased to make sure the word gets out is that: We are not competitive in many instances because our management takes much larger chunks of the pie than the management in other areas. Japanese managers are not paid as well. The profit—the executives of Japanese companies earn nothing near what the executives of American corporations earn. And, if you follow it across the board, most European countries, the pull out, the take out by the executives, the amount that they get in terms of compensation, salary, stock options, et cetera, is nothing near what is received by American corporate executives. That is the story that is not told, that is not heard that often.

It is a very complex problem. We understand that it is complex. We, as I said before, focus in on some very basic issues. Unemployment is a major problem that we have addressed ourselves to because we recognize that as long as you have the kind of unemployment we presently have in the country, the whole labor force is cheaper and the fact that they can find workers out there easily among all those unemployed persons makes your job that much more difficult in terms of trying to get and hold a decent wage.

So, we are concerned about unemployment and we are concerned about those basic working conditions. But it seems that we must also be concerned about this so-called macro-economics, the high level economics related to mergers and somehow our committee needs to find a way to be able to address itself to safeguards for workers' rights in this process.

We do not have jurisdiction over the regulation of business, per se. We do not have jurisdiction over the protection of consumers, per se, which is equally as important as workers' rights. But, certainly, we need to be trying to find another way to deal with these rapidly changing economic forces in our economy via the perspective of workers' rights.

And I want to thank you for your testimony because it has helped a great deal in understanding better what some of those problems are.

I am particularly interested, Mr. McKay, in privatization. I have had direct contact with the Reagan Administration's tremendous push for privatization since I arrived in Washington. And I would like you to elaborate a little bit more on—you said U.M.T.A. required that they must consider privatization or otherwise they would not be eligible for the money—for the Federal money? Can you expand on that a little bit?

Mr. McKay. That is correct. U.M.T.A. made, as a condition of the Federal grant, a mandate that we compete with the private sector. And, as I stated earlier in my statement, U.M.T.A., itself, was formed literally because the private sector could not provide essential service. And I think to turn around 25 years later and say, let's give it back to the same sector that failed, is ludicrous on the surface. And I think, again, you have all these elements of safety concerns. What price do you put on a Dade County citizen who gets run over by an inexperienced green bus operator from the private sector? It has not worked 25 years ago. It is not going to work tomorrow. And to mandate that we go out and compete against a private sector with low wages, I think is an insult to the public.

Mr. Owens. Was there a private sector already existing?

Mr. McKay. No, sir. Not in——

Mr. Owens. You were going to compete with a non-existing entity? The public sector——

Mr. McKAY. Well, it is put up for bid. There are private bus companies, charter, et cetera, Red Top, American Sightseeing, who do not serve the public——

Mr. OWENS. There was no private line serving the public with regular scheduled transportation.

Mr. McKAY. That is correct.

Mr. OWENS. And they said you had to go compete with some companies that had to be formed now.

Mr. McKAY. We must now compete—if the county wants the $7.5 million, it must compete, put out for bid to an unknown company, maybe Rider or whatever—we do not know. And that is it. If you want the money——

Mr. OWENS. What has happened now? That is moving forward.

Mr. McKAY. It is moving forward—since Ralph Stanley has resigned, we are trying to work with his successor in Washington. He is open to negotiations. The county, however, we do not feel is serious about the negotiations. They want the private sector to come in. They are talking out of both sides of their mouth. They say, "Well, we really just want the buses."

But now that Washington has said, "Well, we will give you the buses without the competitive aspect," they still want to go ahead with this. So, as far as we are concerned, they want the private sector. They want deals made. They want the wages of employees to be lowered. And it is just a gimmick, a cruel hoax. It looks very good on paper, but, in reality, it is——

Mr. OWENS. This is a decision that a handful of county commissioners can make or is it a referendum from the public? Or what has to happen in order for this decision to be made locally?

Mr. McKAY. The public has nothing to do with it, sir. It is a decision that was made on a local level by our county commissioners at the invitation and suggestion of Washington through U.M.T.A., Mr. Ralph Stanley, who was a big believer in privatization and is trying to shove his rationale down the throats of Dade County citizens who I think in the long term and short term will lose if this goes through—this project.

Mr. OWENS. Does that mean that a new set of county commissioners coming in, newly elected, could reverse the decision?

Mr. McKAY. The county always has the right to reverse the decision, but I doubt if you will see many new commissioners coming in and I do not think you will see any reversal. I think until there is public outcry over the project if it ever gets in is the only way it will ever be reversed. The only thing they care about is voters. If they rise in indignation and until that happens, I do not think you are going to see any change at a local level. They have their political allies, the people who they want to do business with. And, as far as we are concerned, they are back-door deals. And they care a lot more about these big shots downtown than they do the one percent of this county who really need public transportation. They are the poor, the minorities, the elderly who have no real voice as far as their concern in this county.

Mr. OWENS. Thank you.

Mr. Martin, we have had considerable—paid considerable attention to the double-breasted issue in this committee and the Congress, as a whole. How does that relate to your merit shop? Is a merit shop a situation where the same employer has a set of union people working for him and a set of non-union people working?

Mr. Martin. In many cases.

Mr. Owens. Is it the same company or is it a different set of companies working on the same job?

Mr. Martin. Because of the nature of the Florida economy, we have been in a construction boom now for about seven years, eight years and have experienced a fairly good growth situation. And many northern companies have come into the south and they leave their northern states where they are totally union and they open up a double-breasted operation in the south.

In many cases, we are now finding where the union arm is bidding a project and their non-union arm is bidding a project with the same owners, and the bottom line is the non-union or the merit shop side usually gets the contract.

Mr. Owens. You mentioned a situation where they might have both on the same job and they call that the merit shop.

Mr. Martin. The situation where we would have a totally union employer on a project where three or four non-union entities would also be involved. If you are familiar with construction, they have a general contractor or a prime contractor and then they subcontract out many aspects of the balance of the project.

And we are finding where there are so many of these mixed projects, which are the norm today. There are very few projects in the south that are totally union. So, as a result, you have non-union workers and union workers working side by side. And that airport incident is a good example of why union workers, with tremendous skills and experience, are leaving the industry and going into other endeavors. And I think that is true throughout America in most occupations. When you eliminate hope and future from an occupation, you have very few people entering it.

One of the things, a sideline that we have noticed here in Florida, my background is in the apprenticeship and educational programs for craft unions. And what we have noticed in the last five or six years is that very few people want to be an electrician or a plumber or a carpenter. We have vacancies in almost every apprenticeship program that exists in Florida to day. There are more jobs than there are people willing to fill them. And that is not just in the union apprenticeship programs. We have non-union merit shop apprenticeship programs that are experiencing the same thing. People do not want to work in a hazardous occupation where they may be maimed or killed.

And if you look at some of the statistics in my backup package, you will see that over 50 percent of construction industry accidents happen within the first six months of employment. And a large percentage, over 50 percent of all construction industry major accidents happen to people between 20 and 49 years of age. So, you know, if you start working at the statistics you can see where a high turnover of employees is very hazardous to your health.

It is interesting when we start looking at the OSHA generated data, the Department of Labor injury statistics. And, definitely, something needs to be done. Here, in Florida, we have an awful lot of women that are moving into the construction industry and the percentage of injuries is very high for the young people. So, women are serving or receiving a disproportionate share of the injuries right now. It is really an outrageous situation that exists.

Mr. **Owens**. To your knowledge, is the double-breasting legislation going to help the situation very much? If it—let us assume the Senate passes bills similar to what has passed the House, is that really going to help relieve the situation?

Mr. **Martin**. I think on a national level, it would help our country. I think that it would stabilize the construction industry, generally. However, in a state like Florida, the reality is that in Florida, with double-breasting as a reality, if the legislation passed, we may have many of the employers that here decide to go totally non-union because of the size of the market here. And they may disband their union arm. And that is a reality that we have to face.

But, on the whole, looking at it from a national standpoint, we are of the opinion that the legislation proposed by the National Building Trades would, in fact, stabilize the construction industry and work to the consumer and to the workers' benefit.

Mr. **Owens**. Thank you.

Ms. Barry, you mentioned 200—the rate of terminations flight attendants was about 200 a year at Eastern since the ownership change?

Ms. **Barry**. This year, we have 100 who have been terminated in the first six months and the average is 20 to 25 a year.

Mr. **Owens**. Previously?

Ms. **Barry**. Previously. Prior to this, yes.

Mr. **Owens**. Do the flight attendants not have some protection in the union contract in terms of grievances and appeal procedures, et cetera?

Ms. **Barry**. Yes. We have an arbitration, but, administratively, it depletes the union's treasury and we are doing two cases a week, which is all that we can do, administratively. So, at that rate, we are not even getting to the terminated employees from this year until next year. We are currently doing last year's cases to get—but we will not get caught up at that rate. It is impossible. The company will not arbitrate more cases than two a week so that we cannot administratively see those people get their day in court for at least a year to a year and a half before their hearings will come up.

Mr. **Owens**. What is your rate of success in the arbitration?

Ms. **Barry**. This year, we have lost 2 and won 12. So, it is good. And we have gotten some very good decisions and back pay, but even at that—in that case, it is still a problem with depleting the union's treasury and resources to spend the money to arbitrate those amounts of grievances.

Mr. **Owens**. There is no recourse in present labor law which would allow you to force the management to increase the number of arbitration cases that they participate in, in view of the fact that they have increased the number of terminations?

Ms. **Barry**. Our contract provides for—we are doing more than what our contract provides for now. Our contract provides for boards to be held twice a year in May and November. And we are holding them weekly. And they say that the reason that they cannot arbitrate more cases is because they do not have the manpower. They have three people on staff in labor relations to do their cases and one lawyer. And they do not—because of the cutbacks, they have had their staffs cut back, also.

Mr. OWENS. They obviously have increased the staff who are doing the terminations, though. [Laughter.]

Ms. BARRY. But not the supervisors who are terminating.

Mr. OWENS. There is nothing in labor law which would look at a situation like that and see the numbers have changed drastically, the proportions have changed. So, two hearings per year are outrageous if 100 people are being fired in 6 months.

Ms. BARRY. I am not aware of anything, but if anybody knows of anything, I would sure like to know. Well, we are also covered under the Railway Labor Act, also. We are not covered under the National Labor Relations Act.

Mr. OWENS. Thank you very much.

Mr. Escudero, do I understand correctly not only the bus lines in Dade County, but there is an attempt to contract out municipal services in general is what you are saying?

Mr. ESCUDERO. They have, for the past 10 years, they have been taking pieces out of public service jobs and contracting: maintenance, parks, for traditional public sector jobs. They built a multimillion dollar government center with bond money that the labor unions fought very, very hard to get a bond issue across. We are looking forward to have another 100-150 employees maintain these buildings. They hired Daniels International to come in and take over and the employees never got to maintain that building.

This company is a classical example of maximizing profits, taking short cuts: one master electrician to maintain five buildings. Apprentice working for $5 an hour blew out the transformer, almost burned the building down. And that is the type of thing that is going on here. And it is more than just the bus lines in Dade County.

Mr. OWENS. So, Dade County has had 10 years' experience in privatization, you are saying?

Mr. ESCUDERO. Yes. 10 years, in our opinion, of failure. They have a multi-million dollar white elephant called Resource and Recovery, which is a state-of-the-art trash processing plant which, at best, operates at 60 percent capacity. The contractor was supposed to process garbage for $1 a ton and they can bury garbage for about $5 a ton and the plant cost like $35 a ton.

The original builder and contractor got out of it through a loophole in the contractor. They will not process aerosol cans because it is listed on the EPA hazardous material. And for a number of days they had garbage piling up out there.

Now, they have a new company trying to operate it. And we have talked to the county to take the process over since he has—they admit that it does not work, but they are reluctant to take over the operation.

Mr. OWENS. The taxpayers of Dade County are happy with this?

Mr. ESCUDERO. The taxpayers of Dade County are the highest taxpayers in the state for municipal services. Dade County is also the highest privatized county in the state, if not in the south. So, if you equate those two items, privatization does not lead to cheaper public services. The county now is of maximum mileage. They are looking for new revenue. They are into fees for service, into every possibility that they can go to. And they keep cutting the social services.

You mentioned the bank issue of being a socialized bank. We are going into social services being run by private companies. I mean it makes absolutely no sense at all. And which you take traditional social services and you want private companies to operate at a profit. And you take a profit-generated industry in which tax dollars go into operate it and save it.

Mr. OWENS. Thank you very much.

Mr. Bryan, could you elaborate for me a little bit? I like your use of the term, "atrocities" that have been committed against workers. I think that is the best way to describe it. We need more language like that in Washington. As I said before, they do not use that kind of language when they talk about mergers. But could you explain a little bit more of—it seems that what you are saying is that workers were swindled. They participated in the management process and they participated in an ownership process and the whole thing came out to a swindle in terms of they ended up sacrificing those—losing those wages. There was no protection in that process—or what was done by the unions in order to try to save that air line?

Mr. BRYAN. Well, I was on the Board of Directors for over two and a half years, but we have been watching the economics of Eastern Air Lines for about six or eight years, studying them very, very carefully and in great detail. And we anticipated this contrived and well planned atrocity that I refer to started during the summer, probably of '85, when they sold off a large block of stock, a little larger than what they had sold to the employees.

I could never find out who had bought that stock. The technicalities of it, I will not go into at this hearing, but we discovered all of that went to the institutional buyers who only had two percent up to that point. They suddenly jumped up to about 25 percent ownership, clearly parking some stock and part of this conspiracy started being developed at that stage, in my opinion.

I could not find that out until just recently where that stock actually went, although I told the SEC about it and had asked them to investigate which they certainly said they had the capabilities of doing.

But going on up to the actual transaction, the Board of Directors met through that weekend and what they did was give Frank Lorenzo $20 million just to enter into an agreement to buy the company. They gave him, we called it an inducement fee.

Frank Lorenzo, in turn, gave the Board cf Directors a $35 million indemnification to protect them in the event there was any litigation against them if they were sued. So, it was—each of those elements of people in the corporation taking care of each other.

The transaction they put together was self-imposed by that Board of Directors saying there could not be any other bidders. The employees, subsequent to that night, even though we were already buying stock on the open market and expanding our ownership that we had in trust. And, all due respect to Captain Breslin saying 25 percent, that is what the trust had in it that we bought through a 1984 wage investment program. But we went all over the country telling the employees to buy Eastern stock, go straight to their brokers.

They had orchestrated a strike by the pilots and the flight attendants to happen at this time when they were trying to sell the company to Frank Lorenzo. We found out that Borman had been meeting with him months before the transaction, giving him insider information. And he had bought up to his 5 percent limit that you are allowed under the law to buy without declaring it, well in advance of the night of the sale, with insider information, buying that stock.

But the transaction, itself, that was the real atrocity. And a corporate atrocity against corporate democracy. They gave him a lock up on the night of that sale and with all that stock that I have referred to that was parked, they gave him 10.9 million shares of new issue stock for a very, very discounted price and he only had to pay for half of that. Eastern paid for the other half of it through a scheme of securities for a later payback by the corporation he was buying.

And, if you stop and think about it, Congressman, if you looked at any company that issues new stock to some buyer, he is not paying anything for that stock if he is buying the whole company because everything he is putting into that company for the new stock is going to belong to him because the company and its treasury will be his.

And I can tell you that just a few months before this transaction took place, we had nearly $600 million which was the advertised price of the purchase in cash, alone, in the company. The price of the slots that were in that company was clearly worth as much as what he paid for it. If you look at the record of those few slots they sold to Pan Am to make that shuttle work to make the DOT approve it, you could see that the total number of slots they had would have matched the price that Lorenzo paid for the company. You can go on and on. With the South American routes, the equipment, itself. That whole air line was worth so much more.

And if you look at the revenue that that air line was generating and compare it: the ratio to the price, it was as much as 15–20 times below what U.S. Air paid for Piedmont and what some of the other transactions generated.

It is so obvious, so clear cut that this was a corporate atrocity, that—and it must be looked into in a specific hearing and force those people to come forward and testify, because we have a lawsuit pursuing our offer.

We offered, by the way, a considerably superior offer, the employees did. We offered $11.50 cash per share. He only paid $6.25 cash per share. And we, we—the last board meeting we had right after they voted on it, he already had his 51 percent because they gave him a lock-up. It was a mockery to have a vote at all. But they voted and he voted his 51 percent for the transaction that obviously went through.

But the very last words at the Board of Directors meeting were my words and I left that board and I said I want it to be on the record of this last board meeting that I will attend that we still have a valid offer, that the shareholders should have been allowed to receive: $11.50 cash per share from the employees of Eastern Air

Lines. We had the bankers in place. But we are now pursuing that in the courts and we will continue pursuing it, but through all the technicalities of law, that could take years. In the meantime, he is spinning off the assets and destroying the company. So, we need your help.

Mr. Owens. You called for an investigation. Has anybody launched an investigation? The SEC or any committee of Congress?

Mr. Bryan. I think the DOT and the SEC, both, must be investigated in depth with regard to this transaction, the approval of it. I talked with the attorney at the SEC who has approved all of the transactions for the last five years, all the filings, all the prospectus and proxies that have been filed by both Texas Air and by Eastern Air Lines.

I can only express my opinion of his reaction, but I felt he was outraged but, yet, he was approving. And I will not suggest to you why, but, certainly all those people—and I have talked to the investigators in the SEC. And they said, "All we can do is investigate and pass it along to our superiors. What happens to it after that is out of our hands." Those were the direct words of one of their investigators that talked to me.

Mr. Owens. On the basis of this experience, would you say that this is a rigged game and workers and unions should not try to play it again; but, instead, fight to stop the game?

Mr. Bryan. Well, I think what we had done was the right thing to do. And I think it was the answer, probably, for an awful lot of the problems in corporate America and our competitive opportunity with world competition with the economy. I think it was a marvelous model that the academics all over the world looked at——

Mr. Owens. Well, are the insider traders and the SEC and the Reagan Administration, is the whole establishment going to really allow employees ever to really be able to buy out a company?

Mr. Bryan. I don't think that they ever will without having in depth hearings to open up the insider trading, the activities that took place. And the improprieties were so conspicuous and obvious in this case, but I do not think the current Administration and the current leader of the agencies in Washington will ever do anything about it. That is why I think they must be investigated.

Mr. Owens. Thank you.

Captain Breslin and Captain McClure, I think both of your testimonies really—getting back to the issue of the protection of basic working rights and basic safeguard being built in. You talk of a kind of a tyranny that literally is destroying human beings and I sympathize greatly with the incidents that you related. Specifically, what else do you think can be done in terms of legislation to deal with those kinds of situations?

Captain Breslin. I would like to echo Mr. Bryan's call for a Congressional investigation in this area. I feel that the DOT and the SEC, as government regulatory bodies, have not fully exercised their duties and more needs to be done. It needs to be examined in considerable depth.

I think the Congress needs to look into this in considerable depth and find out where the interrelationships are in this which I am not privy to. They have not chosen to inform me of that.

I would also like to comment to you, gentlemen, on an issue that Mary Jane Barry raised regarding the grievance process at Eastern Air Lines. I am directly involved in that. I am also a member of the System Board of Adjustment. And Mary Jane mentions that they win most of our grievances, and so do we, because even the terminations and the suspensions are, for the most part, harassment grievances. However, our backlog is up to two years. We are still hearing grievances that have occurred in situations two years ago.

And it is a three-stage process. The first stage being with the local chief pilot; the second stage, the four-man board, which is usually dedicated; and the third stage is the five-man board with a government neutral. And we meet weekly to try to clear up these backlog of grievances which have increased tremendously. The fact that we win is all well and good, but in the meantime, there is a serious problem.

Fortunately, President Reagan cannot fire you, gentlemen; but I would ask you to imagine for a moment: Supposing he could. For a year or two years, there you are with no income, possible bankruptcy, catastrophic illness, divorce, physical, mental breakdowns. All of these things have happened. And then two years later, you go to the System Board and the neutral says: Yes, it was a mistake. You got your job back.

The damage has been done. And it has been devastating. And this is all part of the whole corporate intimidation, harassment and it is a horrible situation to work with.

Mr. Owens. Management knows very well what it is doing——

Captain Breslin. Oh, of course, they do.

Mr. Owens [continuing]. When they create the backlog.

Captain Breslin. Of course, they do.

Mr. Owens. You say that we need legislation which runs—you can't arrest a person and hold him more than six months without a—in New York and other places, you have to try the case in six months. We could have legislation that says you have deal with——

Captain Breslin. It is a constitutional requirement.

Mr. Owens [continuing]. Deal with the grievance in a certain amount of time.

Captain Breslin. I would like to see that.

Mr. Owens. And not leave that subject to negotiations where you since you did not have it in your contract, you do not have it. But it ought to be a basic right is what you are saying.

Captain Breslin. Well, essentially, what I am saying is this whole deal needs to be undone. Because it is a robber-baron situation where it is taking the company over, milking it dry and harassing the employees to the maximum possible extent to get our acquiescence to their tactics, to their bottom-line dollar morality.

And it is the entire situation that is one that I would like to see checked into. Not just the grievance procedure, although that is a part of it.

Mr. Owens. Captain McClure?

Captain McClure. Mr. Chairman, if I could address the same philosophy from the safety standpoint of view. Early on this year, the company took it upon themselves to directly mandate that our flight officers violate a Federal regulation which has to do with fatigue. In other words, how many hours you can fly in a given period of time.

And, when the pilots, who know and are directly responsible to adhere to that FAR, said to the company: "I am not taking the trip. I cannot take it. It is violation of a Federal regulation." The company's response and it is well documented was: "You fly the trip. We will pay the fine." And that is an atrocious way for a company to display leadership to its flight crew members.

Additionally, in an occurrence that I was involved in myself and I have a letter here from a staff vice president of Eastern Air Lines, which I would be delighted to supply the company with, a captain refused an aircraft, 727, more specifically, with a generator inoperative. There is a problem with that airplane. It is a very weak electrical airplane. It is a very weak hydraulic airplane. And, as you start to shed the supplies of electricity, you also have to shed electrical loads in the aircraft.

And the pilot elected not to take the airplane because the weather was bad that night. And in so much, I will paraphrase what is said in this letter here. This attorney for Eastern in writing the Secretary of Transportation said that this pilot obviously was not as secure in his operating of an aircraft as other pilots may be and that he obviously needs more training.

Quite frankly, the pilot operated in a very prudent and safe manner by not taking that airplane. I did one, myself, and I was called by the chief pilot to justify my position, which I did in no uncertain terms, as you can imagine.

This is the kind of pressure and harassment that we feel. However, the Federal laws state that the pilot is the final authority in deciding whether or not the flight can be conducted safely. As you well know, all people respond differently to inputs of stress and pressure and whatever in the work place. Some pilots will stand up on their hind legs and say, "No, the airplane does not move until I am satisfied that it is safe to operate." And some others will be persuaded to take it.

And I think in your investigations, we need to have the Congress mandate to the FAA to enforce those regulations that are safety regulations by definition so the flight crews have the backing to stand up to an unscrupulous management.

Mr. OWENS. Thank you. Again, I want to thank you all for your testimony and I yield now to Congressman Hayes.

Mr. HAYES. Thank you, Mr. Chairman. We have benefitted very much from what has been excellent testimony.

I do not know how much good it would do for me to raise a lot of questions of people who obviously have at their fingertips the problem that we are faced with. I must say to you my own background as a former trade union leader places me in a position where maybe I understand what you say better than a lot of members of Congress. It also places me in a position to understand clearly the difficulties that we are going to be faced with when we try to change this current course.

Money talks. [Laughter.]

When I look at the situation in the halls of Congress and what you said, Mr. Breslin, and I think I agree with, I guess, the way you would characterize it, but I would put it a different way. You talked about money morality. To me, it is money immorality.

When you have a situation where, you know, our system of justice is either placed on the fact where we are ready to apprehend and convict people who misappropriate food stamps. We track them down. We build jails to put them in. But some of the corporate entities who take people's jobs, destroy families, steal money in hunks, we tend to find a way to overlook them.

I just wanted to ask, but maybe you answered it: What happened to that advance, Colonel—was he a Colonel? Captain? Borman, you know.

Captain McClure. Retired Colonel.

Mr. Hayes. I remember when he was a hero, you know. Some of his undertakings, I guess, in the space world. I have not heard of him applying for public assistance anywhere. I have been looking. So, he must have done all right when Eastern sold out to Texas International.

I only point that out to indicate to you some of the problems that we are faced with when we try to make these transitions.

Colonel North, you know, is a hero, now. And I never knew a colonel had so much power. But we, sometime, I think people—we take advantage of people because they do not understand. And the value of these kind of hearings is to have people to know how they are being affected by the course which we are following now. And I did not think as a trade union leader I would ever see the day where—even to be a member of Congress, hell, that was unquestionable, but just to see a panel of this making, where an Air Line Pilots Association, transport workers, the building trades would be getting together and putting their fingers on a problem.

The question is how can they get us who have it in our power, if we do not relinquish it to people like the Colonel Norths and that ilk, to do something about making laws to protect people.

One of you mentioned the role of people who are now in government who wind up in private industry. They take advantage of what they have learned and the kind of influence they have within government. This is true even in our military.

I have been a part of hearings, particularly, with the Navy—well, I do not want to talk about the Admiral that has been testifying for the past week, but I was down in San Diego, as a member of the Small Business Committee, where we were just trying to get government contracts for some small business people, minority business, and they were actually being blocked by the people who were in charge of the services. And these people usually wind up, when they retire from service, well rewarded by contracts and positions with private industry.

And when you talk about privatization, it is not only occurring in the public service sector, it is occurring in government. Right today we are battling to try to protect people who were formerly employees of the government who worked in the restaurants. This has been turned over, my colleagues know, to a private industry. And they are trying to protect the equities they have built up over the years as employees of the government in terms of their pensions and, yes, protect their wages and things of that sort. So, it is not only true in private—we have the same problem in government.

I am not saying that we are hopelessly lost. I think it can be changed. But I think the efforts of people like you is going to begin in that direction. But we have got to intensify. We have got to intensify.

I say, people who come before our other subcommittees that are offshoots of the Education and Labor Committee, who are leaders of labor, I think that even the leadership of labor has to begin to step up its campaign to protect its own members. And I realize that union membership is only a minority of the workforce. I guess you represent what? 25 or 30 percent of the people in this country are organized. The bulk of them are unorganized. And the number seems to be decreasing instead of increasing, except in maybe the service end of the business. But I think that we have got to begin to speak out louder and try to do what we can to come up with legislation. But it is not going to pass, people, unless we have got people who are there to vote on it, feel that their positions are going to be jeopardized by them not being re-elected. I am just talking in straight political terms if they do not support this kind of legislation.

Sure, you will continue to have an approach where you will repair broken limbs with a band-aid when it comes to legislation. We need some meaningful legislation that is going to protect the rights of people who are now being hurt.

All you have said adds up to that the direction we are going is adding up to the loss of jobs. And for those of us who are fortunate enough to still have jobs, we are finding ourselves in a position where we are being asked to make further concessions, give up more of that which we have worked for, earned and it is not helping this great Nation of ours at all.

We are part of the pie, the work force is. We are the ones who keep our economy going. If we do not have any money to buy what is being produced, ultimately, it is going to affect those people who are now on top. And this why I think that we need to be working in that direction.

And you have answered my question about President Borman. He is doing well and there are others. He is only one. All this rape of people on these buy-outs is just something—I come from an industry that—meatpacking. That is my base. I used to have to clean up behind those who killed cows and hogs. I have seen that industry wind up in a few hands.

You talk about safety. You have been reading in the paper just here the last few days of how safety and the welfare of workers have been abandoned within that industry. And some big outfit that processes most of the beef out here in the west is the one who just overlooked safety when it comes to workers.

Now, at last, long last, it looks like they are going to pay a penalty. By the time they get through appealing the penalty, they may wind up paying nothing. That is the tragedy of the situation.

I have been riding airlines when they were one-engine planes. That long. I used to complain as a union leader about the delays in the flights. And I had one captain to say to me once in Chicago when I was complaining to him—he was on the outside of the plane while the mechanic was trying to get it so we could go to St. Louis from Chicago. And he says—I said, "Look, I'm tired on waiting on it. I have got to go to a meeting down in DuQuesne, Illinois and it is 100 miles from St. Louis. I have got to drive. I will never be there."

He said, "Look, young man, I do not know about you, I am the captain of that plane. I do not want to get on it unless it is right. Now, if you want to go ahead, fine. They will let you take it so you can get there on time, maybe. Go ahead."

So, I rarely blame the crew for the delays. I do think that a big mistake was made, which I think is being corrected in our safety area, which is of main concern of many of our Congress people, when we abandoned our support for those airline people who guard the airports and the flight routes and things of that that are coming in, permitted this President of ours to completely emasculate union. At long last, I see they are recouping. They are coming back. We need more airline safety employees, particularly in some of these major airports. I do not think we have to have a major catastrophe to change that situation. That is part of what you have been talking about, too.

I talked to a young flight attendant on my way down here from Chicago. And she spoke to—she is a safety director. Ms. Murtoff. I do not know if she is here or not, for Eastern Air Lines. And God knows some of the conditions of the statement and I hope that it is part of this record that she showed me. I did not even know it existed, the kind of pressure that an airline attendant has to work under is something that should not exist.

But when we put money and profit ahead of human beings, that is the results of what can happen.

Thank you, Mr. Chairman.

Mr. **Owens**. Congressman Jontz.

Mr. **Jontz**. Thank you, Mr. Chairman.

Likewise, I have no questions for the panel, but I want to thank each of the witnesses for the excellent statements, the very helpful testimony, and you, Mr. Chairman and Congressman Hayes have expressed very well my sentiments. I think that the testimony this morning has been helpful, first of all, in pointing out how the public suffers from the current climate that we have with regard to workers in this country, all the way from unsafe buildings to unsafe buses to higher taxes, to delays and risks in the airline industry. And there is no question that the public is paying a very high price for these policies which the Federal Government is now pursuing.

The testimony this morning has also pointed out quite well how individual workers pay a very high price and how their families pay a high price for these policies. The death of a construction worker, the stress put on an airline pilot, the setbacks for Hispanic and Black employees of the transit system and of the county, it is clear that the individual worker is bearing much more of the burden than what should be the case.

The testimony has perhaps emphasized less the economic price or cost that the workers are paying than has some other costs that they are paying. And that is good from the standpoint of the fact that it is too easy for us to put these things in solely economic terms.

But, if I just might point out for a minute, it seems to me, coming from the part of the country that I come from—and I hope this is a consideration of others, too, that when you have a loss of good jobs, when you have a two-tiered system for the flight attendants and their compensation, when you have lay-offs and people working just a portion of the time that they should be, that we all pay a great deal nationally.

In my district at home we produce lots of things, all the way from popcorn to automobiles. Probably everybody here who has gotten an American made automobile has a part in that coming from my district. And when you and the people you represent are not earning a good income, that diminishes your capacity to produce those products.

And I would think on the other hand when we lose those good jobs at home—our state has lost about 150,000 manufacturing jobs in the last few years, that reduces our ability to get on the air plane and come down here and contribute to the economy in this area. And, so, the entire country suffers when a worker is set back here, when a worker is laid off or when a worker is hired at a lower wage or when an experienced worker quits the job because of the stress and takes another job at a lower income, the entire country suffers.

Ms. Barry and Mr. Bryan and many in the room today are wearing a tag that says, "Jobs with Justice." And I think that is a good way of categorizing what our objective is. And I just made reference a couple of minutes ago to the idea of a good job. And maybe that is a different way of putting it.

Our country needs good jobs. We do not need the situation where workers are subjected to the stress and subjected to the difficulties and their families are subjected to those problems that you have described today. I would not describe those as being good jobs. And I think that we should have a system politically and economically in this country where Americans have a chance to work hard at a good job.

And that is really what is at risk: the future as to whether there will be good jobs available for people in Miami and people in Kokomo and people in Chicago and New York City. I hope that these hearings will provide some direction to the Congress. And thank you for your role in providing us with some direction to move forward with our responsibilities to see that those good jobs are there for the people that you represent and for their children and for the individuals that we represent and all Americans.

So, let me say thank you, again, to all of you for your testimony this morning.

Mr. OWENS. Thank you very much.

Can we have the second panel.

A VOICE. Mr. Chairman, may I interrupt you for a member.

Mr. OWENS. We have a panel—we have a panel scheduled, sir. I am sorry. We cannot——

A VOICE. I really would like——

Mr. OWENS. Would the second panel please take your places.

A VOICE. I am disabled veteran that has been terminated by the Postal Service.

Mr. OWENS. First panel please leave. Second panel please take its place.

A VOICE. I was given this flag as a veteran of Vietnam. I am returning it to you.

Mr. OWENS. Second panel, Ms. Dian D. Murphy, flight attendant——

A VOICE. Maybe you will bring the honor it once meant to me back. Thank you, Mr. Chairman.

Mr. OWENS. Mr. Eliot Rodriguez, former air line mechanic; Mr. Thomas Carrao, telephone maintenance mechanic.

Mr. Carrao, is he here?

Would the audience members who are leaving, please leave quietly.

Again, let me remind you that your written testimony will be entered in full in the record and you need not repeat your written statement or you are free to summarize and make any other comments you wish. You have five minutes each to testify.

We would like to begin with Ms. Dian D. Murphy.

STATEMENT OF DIAN D. MURPHY, FLIGHT ATTENDANT

Ms. MURPHY. Thank you, sir.

My name is Dian Murphy. I am a 12-year—12.5 year veteran with Eastern Air Lines as a flight attendant based in Atlanta. You will find my statement is contained in the red folder before you.

On December 31, 1986, I came home from a——

Mr. OWENS. Excuse me, Ms. Murphy. Would the audience please take seats. If you are leaving, please leave expeditiously.

Thank you. Continue.

Ms. MURPHY. On December 31, 1986, I came home from a four-day trip at 2:00 in the afternoon. I did not know there was an intruder in my house, but there was someone there who attacked me. I was raped. I was terrorized. He threaten to kill me and my daughter, my 16-year old daughter if I called the police.

I cannot tell you how it feels to walk into your home that you think is safe and secure and to have somebody who is the scum of the Earth threaten you and lead you to believe that you were going to die. I thought I was going to die that day. And I do not know to this day why he did not kill me.

I was scheduled to go out on my trip the next day. Needless to say, I was in no condition to take that trip and I called in sick. I was so scared because of the people being fired and taken off the payroll for calling in sick that the police detective who was in charge of my case, Detective Curtis Johnson, was concerned enough that he called Eastern to assure them of what had happened to me to try to rest my mind.

Well, the supervisor that he talked to did not believe him. She called back to verify and she requested to speak to a, quote, "white detective," because this Black man's word was not good enough nor was mine.

I was greeted with a lot of skepticism from the company as to whether or not I had actually been raped despite the medical documentation provided to them and also police reports provided to them.

I was told by my supervisor when I went back to work five days later that as far as Eastern Air Lines was concerned, I was not available to fly for them for four days, therefore, I would be charged with an absence. They did not care. My body was supposed to be there. I was not there, therefore, I was to be disciplined.

This attitude was reinforced and reiterated by her manager, also.

I am outraged and I hope that you will be outraged at this kind of treatment from a company that I have worked for 12.5 years. I have a good work record. I do not have any complaint letters, but I have numerous complimentary letters from passengers as to my service as an employee of Eastern Air Lines. Yet, I, when I needed some understanding and compassion, I was told that they did not care.

This is the same company who has asked me for wage concessions and other concessions for 10 years. And for 10 years, just like all other long-term employees at Eastern Air Lines, I have given those concessions gladly because that is what the company said they needed to survive and be competitive in today's marketplace.

Now, under Mr. Lorenzo's Texas Air Corporation, I am being told that they do not care what happens to me. They do not care about my well being. They want to replace me for cheap labor. And I have to ask: Is the bottom line ever justification—this type of treatment ever justification just to make a profit. Where does it stop? Where does the human dignity—how can we save our human dignity? I had no control over being raped. You, I am sure have wives or daughters or sisters or mothers. How would you feel if it had happened to one of yours and their employer turned around and slapped them in the face. I was raped by somebody that broke into my home once. I was raped again when I went back to work by my employer. And I hope that you and your colleagues in Congress will listen to the voices of the workers in America. And that you will do something so that we do not have to sacrifice our dignity, so that we can have a decent family life.

Things that are going on at Eastern and the things that I have been hearing today, I am appalled. And I hope that somebody is going to do something to put a stop to this. I do not want another woman that works for Eastern Air Lines or any company to have to go through what I have gone through. I thank you for your time.

[Prepared statement of Dian Murphy follows:]

PREPARED STATEMENT BY DIAN MURPHY

My name is Dian Murphy. I am an Eastern Air Lines Atlanta based Flight Attendant with twelve and a half years seniority. I have been a good employee with numerous complimentary letters and no complaint letters as a part of my work record.

On December 31, 1986, I came home following my four day trip. It was approximately two o'clock in the afternoon. There was an intruder in my home who viciously attacked me. I was blindfolded and raped and terrorized for an indeterminate amount of time. My assailant threatened to kill me and my teenaged daughter if I called police to report the attack. I was so terrified that he would return and hurt me that I left home and called police from a friend's house. I called my employer the following day because I obviously could not report for my four day trip which was scheduled to depart that evening.

I was so afraid of getting into trouble for calling in sick for this incident, even though it would only be the third time in two years that I had called in sick, the police detective, Mr. Curtis Johnson, who was in charge of my case called my employer to explain what has happened to me. The supervisor that he spoke with did not believe him and she called the Fulton County Police Department and requested to speak with "a white detective" to verify what Detective Johnson had told her. It seemed that the word of a black detective was not good enough.

When I returned to work on January 5, 1987, I brought medical documentation and a statement from the police as proof of what had happened to me. I was told that the documents I provided might not be enough. On January 21, 1987, I again met with the supervisor and was told that the incident would be counted as an absence under the Absence Control Program.and that if I was out again for any reason within six months, I would be taken off the payroll or terminated. This was to be considered an Oral Warning. Although the program does allow for exceptions to be made, no exception was made for me. I was told by the supervisor and her manager that as far as Eastern Air Lines was concerned, I had not been available to fly, therefore, I would be charged with an absence. It made no difference that I had been raped. They did not care.

I am outraged by my employer's attitude and behavior. I feel hurt and betrayed. I have given the best working years of my adult life to this company. I have given money and wage concessions along with all the other employees because that's what the Company said was need to survive. Yet, when I needed compassion and understanding I was made to feel like I had committed a crime. That I was somehow responsible. How could I have prevented being raped? I asked my supervisor that question and she could only point out to me that I had a responsibility to report for work. I could not believe that another woman could sit across a desk and say those things to me after what I had been through. It could have happened to her. Didn't she think of that?

It is very difficult to sit here today and talk about what has happened to me. But I feel it is important that people are aware, that you are aware, of how Eastern Air Lines under Frank Lorenzo's Texas

Air Corporation is treating it's employees. I feel that someone must do something to insure that the kind of treatment I received does not happen again. I have lost so much and to have Eastern Air Lines further humiliate me and try to rob me of my dignity is appalling. This company's draconian tactics are destroying families and tearing lives apart. My story is only one of many cases of worker abuse suffered by my fellow flight attendants. I personally know of other instances where flight attendants have been mistreated by Eastern Air Lines. Some of these cases have been submitted to you by our Union President, Mary Jane Berry.

I became a victim on December 31, 1986. I was further victimized by my employer, Eastern Air Lines. I refuse to continue to be a victim. I have always believed in the system and I hope that my faith will not have been in vain. With the help of your committee and your colleagues in Congress, I and the other 36,000 employees of Eastern Air Lines can retain our dignity, homes and families. I pray that you will hear us and do the right thing.

Mr. OWENS. I thank you for your testimony. I am sure it is not easy to tell that story.

Mr. Rodriguez.

STATEMENT OF ELLIOT RODRIGUEZ, FORMER AIRLINE MECHANIC

Mr. RODRIGUEZ. Good morning. My name is Elliot Rodriguez. I live in Miami, Florida, with my wife and two kids, age 6 and 4. I thank you for the opportunity to be here today to tell you my—to tell you how I was wrongfully fired by Eastern Air Lines.

I worked at Eastern from March 30, 1980 through May 1, 1987. About three years ago, my health started declining. From this point I was absent three or four times a year due to illness. I never violated the company's attendance policy that we have in our contract. I have always had plenty of sick leave accumulated.

On January 15th of this year, Eastern Air Lines changed its attendance policy. Under the new policy, an employee would be terminated after three occurrences. An occurrence is considered by the company any absence, whether it is one minute or two weeks in the hospital. And the reason does not matter.

The company gave me two occurrences on their new attendance policy because I have been seven times out during the past 18 months for being sick. If I would have been absent one time less at that point, the company would have given me a clean slate with zero occurrences to start on the new attendance program.

I became sick during the second week of February, but decided to come into work that week anyway. During the week, I decided to go to my doctor and get checked up. On the day I went to the doctor—my doctor's office hours are in the evening, in the afternoon. And after I leave my doctor's office, I arrived late to work. I had reported this to my manager the day before. For this, I was given a third occurrence. I was suspended three days without pay. It was the first time I have missed any time since the new attendance policy.

On the location in March, I felt ill while I was at work and I spent 18 minutes in the bathroom. My manager had been standing by because he documented this from the minute I walked in to the minute I walked out. I was called to the office in front of the shift manager and my shop steward and reprimanded. And furthermore told me the next day in the morning I would have to go to Eastern medical department and take a drug test, drug screening test.

On Tuesday, on the following day, the results came back when I came to work, when I arrived at work. And the manager called me and said that my results were negative but my sugar count was high. And I was surprised. And right there and then he asked me to again the next day in the morning to take another drug screening test. I refused. I refused. I told him that if there was any problem with my health, I would have my doctor look at it and that I would like all my medical records that they had in their report to be sent to my doctor.

My doctor concluded that I was a diabetic and put me on medication. On April 28th, I started having dizzy spells or in the shower in home, I passed out and the next morning, I laid in bed the next day. And I called my doctor and he told me to drink some orange juice and sugar mixture. Then I felt a little better towards the afternoon, when it was time for me to come to work.

My shift is from 4 to 12 midnight. And as I proceeded to go to work and I was at the end of the expressway ramp, on the expressway, I passed out again. When I recovered, I was running on the shoulder of the road. I came to a stop and I relaxed for a few minutes. I got out of my vehicle and I walked back home. From there, I called my doctor, who told me to come immediately to the office.

I proceeded also to call my manager, to inform him of what had just happened to me, that I was unable to drive any further. He answered, did I know what the consequences were? And if I did not show up, that I knew what to expect.

I did go to the doctor and my doctor told me to go home and relax until I was able to get up and go to work. I was not able to get up any more that day. The next day, I reported to work and the following day, nothing was said to me.

On May 1, at the beginning of the shift, my manager called me to the office, in front of the shift manager, my immediate supervisor and a shop steward. I was told that I was terminated from my job, I was left without a job there, for being sick and passing out and being a diabetic.

I did not know what to do at the moment. I also was thrown immediately off the premises. I walked out from the manager's office and was taken out to the gate and told not to come to Eastern any more or being authorized to.

Times have become a little hard since then for my wife and my two kids. I started a little business venture in irrigation systems, to support my family. I followed a grievance procedure as is required by our contract, and now, I hope that I get my job back. I hope that I win my grievance, so that I can again provide for my wife and my kids.

I asked the Committee to do whatever is in its power to help me and other Eastern employees, who have come here to testify in front of you, who have been unjustly fired from their jobs. I hope that you pass a law to make it illegal for companies to punish their employees for using their sick days they have been promised.

Thank you.

[Prepared statement of Elliot Rodriguez follows:]

PREPARED STATEMENT OF ELLIOT RODRIGUEZ

My name is Elliot Rodriguez. I live in Miami, Florida with my wife and two kids, aged 4 and 6.

I thank you for the opportunity to be here today and to tell you how I was wrongfully fired by Eastern Airlines.

I worked at Eastern Airlines as a mechanic from March 31, 1980 through May 1, 1987, a little over 7 years. I had a good record with the company and took pride in my work there.

About three years ago, my health started declining. From this point, I was absent from work 3-4 times per year due to illness. I never violated the company's attendance policy and always had plenty of accumulated sick leave remaining.

On January 15th of this year, Eastern changed its attendance policy. Under the new policy, employees would be fired after 3 occurrences. An occurrence is any absence from work, whether an employee is one minute late for work or spends two weeks in the hospital. The reason doesn't matter and it makes no difference how much sick time you have remaining. The company gave me two occurrences to start the new attendance period because I had been absent seven times from work due to illness over the past 18 months. If I had been absent one less time, they would have given me a clean slate with no occurrences to start with under the new rules.

I became sick during the third week of February, but decided to come into work anyway to avoid getting my third occurrence. The next day I went to the doctor for an examination and came into work as soon as it was over. I was less than five minutes late. For this I was given my third occurrence and I was suspended for three days without pay. It was the first time I had missed any time from work under the new attendance policy.

Later that week, I felt ill at work and spent 18 minutes in the bathroom. This was duly recorded to the minute by my supervisor. He also gave me a verbal reprimand in front of the shift manager and the shop steward and then ordered me to take a drug screen medical exam the next day at 7:00 a.m. I refused since I had to take my kids to school in the morning and had other responsibilities to take care of before I was due in at work.

I did agree to take the drug test the following Monday. On Tuesday, my supervisor told me that the test came out negative for drugs but positive on my sugar count. I was amazed when he then asked me to go back for another drug screen exam on Wednesday. I refused to do this and requested that the medical results be sent to my personal doctor so he could do further testing and determine what was really wrong with me.

My doctor concluded that I was diabetic and put me on medication. About two weeks later, I began to get short dizzy spells both at home and at work. I came to work anyway because I didn't want to get my fourth occurrence. It would mean that I'd be fired, according to the attendance policy.

On April 29th, I passed out while taking a shower and was dizzy all morning while resting in bed. I called my doctor who instructed me to drink a mixture of sugar and orange juice and to take more medication.

That afternoon, I felt a lot better and proceeded to go to work. My shift at the time was 4:00 p.m. to midnight. When I was driving to work, I blacked out for a split second just as I got on the entrance ramp to the Palmetto Expressway.

When I became conscious again, I was traveling on the shoulder of the road. I brought my car to a stop and stayed ther for about 5 minutes until I felt well enough to walk to the nearest telephone booth. I called my doctor, who told me to come immediately to the office. I then called the shift manager at Eastern to tell him what happened and that I would be late or might not be able to work that day. He told me that I knew what the consequences were for having my fourth occurrence and that there was nothing he could do.

I went to the doctor, who ordered me to go home to rest and not to return to work until I felt better. I was not able to get up out of bed anymore that night.

The next day, I returned to work and nothing was said to me. On the following day, May 1st, I was called into a meeting with my shift manager, my immediate supervisor and the shop steward. The shift manager informed me that I was terminated immediately because my absence on April 29th created my fourth occsurrence. At the end of the meeting; I was immedicately walked off the premises and was left without a job.

I was fired from Eastern for being 5 minutes late for work after a doctor's visit and for missing work for one day because of a severe diabetes attack while driving to Eastern. These were my only absences between January 15th, when the new attendance policies were put into effect, and May 1st when I was fired. At the time I was fired, I still had 15 accumulated sick days to use.

Under the existing Eastern contract with its employees, I should have been permitted to take time off from work for legitimate health reasons without fear of termination or any other type of punishment. I believe the company violated that contract when it fired me. I have filed a grievance against Eastern and have asked to be reinstated.

When I was fired, I lost not only my health benefits, but also my pension rights. I had worked at Eastern for 7 years, but needed 10 years in order to be vested and eligible for pension benefits.

Since I was terminated from Eastern, times have become more difficult for my wife and me and our two little children. I have been living off my savings and have started a small business which involves installation of irrigation systems at private homes. I hope that I win my grievance and get my job back, so that I can support my family with a decent income.

I ask the Committee to do what it can to help me and other Eastern employees who have been unjustly fired to get our jobs back. And I hope you pass a law to make it illegal for companies to punish their employees for using the sick days they have been promised.

Mr. OWENS. Mr. Carrao? Mr. Carrao. Good morning.

STATEMENT OF THOMAS CARRAO, TELEPHONE MAINTENANCE MECHANIC

Mr. CARRAO. Good morning, Mr. Chairman, and Members of the Committee, my name is Thomas Carrao and my wife is Marguerite.

I live in North Palm Beach, Florida, and I am married and I happen to have five children. I worked for AT&T for 17.5 years and I started on March 19, 1968 and I was laid-off on October 28, 1985.

During my time at AT&T I had a good safety record, with the attendance program. I began to hear rumors in July of 1985, that the plant, the Atlanta distribution plant might close down.

For the next four months, tension at work was unbelievable. All of us were worried about losing our jobs, but nobody knew what was really going on and who would be transferred to another city.

Finally, word got out that the plant in Miami would close down and we would be transferred to Atlanta or Orlando. My first choice was Atlanta, since they were being, at that location, they would be receiving the same amount of pay that I was receiving in Miami. I asked my boss to help me get transferred to Atlanta.

He told me that it could not be done because of my job classification, because I was a maintenance mechanic. And AT&T did not need any maintenance mechanics in Atlanta. I suggested that I be downgraded to a different position, repairing telephones, something I had done years ago. His response was, the company could not do this because they could not cross trade lines.

It just did not make sense, because I had already been in all three trade lines. The only option that AT&T offered me was to go to Orlando at a wage of $7 an hour. This was a 50 percent cut in pay, I was making at the time, and I could not afford such a huge cut in pay.

Mrs. CARRAO. Could I tell you that it was not just the money that we did not want to accept the $7. He wanted to go, but I was in a pregnancy and they suspected spina bifida on the baby. I could not work, if the baby was handicapped and the doctor said, you know, we do not know. I was seven months along, and I was due after the layoff.

So, if we went to Orlando, we both could have worked, but I was not going to be able to work with a handicapped child.

Mr. OWENS. For the record, let us identify that Thomas Carrao is accompanied by his wife, and can we have your name?

Mrs. CARRAO. My name is Marguerite Carrao.

Mr. CARRAO. I held on to my hopes that I might get the transfer to Atlanta because people were taking early retirements and taking voluntary layoffs, and you know, I had 17.5 years and I figured that I might hold on.

Quite a few other employees at the plant were lower classified jobs than me, got their transfer to Atlanta, but the biggest thing is that they had less seniority than me and they went to Atlanta.

And the only reason that I think that they did was because they were making less wages, a lower wage than I was making, so that is why I think that is why they took them up there. I was forced to accept a layoff.

I only received about $175 a week unemployment and although, I did get some severance pay, they did give me some severance pay. I looked around for jobs, no more than $7.25 an hour, to support my family over the long haul. I tried to make ends meet the best that I could by taking temporary odd jobs, and I did some piece work and I did some janitor work, and I worked with my wife cleaning houses.

Mrs. CARRAO. He is not the best housekeeper.

Mr. CARRAO. Well, after a few weeks, searching for a job, I became frustrated and I grew depressed and despondent. I took to drinking. My marriage almost broke up because of my worry and depression and the effect it had on our family. My wife had to deal with my ugly condition, and handle the boys and the baby by herself.

Finally, I went to counseling and they suggested to me that I go in the hospital. I checked myself into Biscayne Hospital, for alcoholism for 28 days. When I got out of the hospital, again, I tried to find work, but for very little pay and not too many benefits. Things went downhill from there. In June, all the three boys had failed school and in November, my wife had a nervous breakdown, and could not stop crying. I stayed home for a few months to take care of her and the kids. In December of 1986, we were dead broke. Our church, and the St. Vincent De Paul Society brought food and toys to the family on December 25th so that we could celebrate Christmas. The church also helped pay my mortgage payment so that I would not lose the house.

All of a sudden I got the break that we were praying for. A friend who had worked for AT&T told me about a job opening, in which I had previously done in the past 17 years, with an outside concern, a contracting concern. I applied for the job, it was accepted and I am now doing my old job again, doing what I used to do at a reduced rate of pay.

So, my wife and children suffered greatly because of the layoff, and worst of all, we almost did not make it. I am happy to be working now, but I would still like to be back in the AT&T system. That is the bottom line.

I also make a good deal less than I used to, but I bet that AT&T is paying just about as much to the company as I am working for now, as they did to pay my wage, me working for them.

I also feel that it is amazing that this decision by the Federal Government to break up the Bell System has forced somebody like me, somebody with 17 years, that I had 17 years of commitment that they have forced me into this terrible situation.

If I can, I would like to ask you, as Members of the Congress, just one thing? Would you please do something to help the thousands of other AT&T employees who have lost their jobs after this divestiture? I figure that we were given a raw deal. I am sure that the others have suffered as much as we have, if not more, and we could really use your help to get our jobs and benefits back.

Thank you, sir.

[Prepared statement of Thomas Carrao follows:]

PREPARED STATEMENT OF THOMAS CARRAO

Mr. Chairman and members of the committee, my name is Thomas Carrao. I live in North Miami Beach, Florida. I am married and have five kids and I am a Vietnam Veteran.

I worked for AT&T for 17 years from March 13, 1968 to October 28, 1985. During my thime with AT&T, I had a good safety record and never abused the attendance program.

I began hearing rumors in July of 1985 that our plant, the Miami distributions house for AT&T, might close. For the next four months, the tension at work was unbelievable. All of us were worried about losing our jobs, but nobody knew what was really going on or if we would be transferred to another city.

Finally, word got out that our plant in Miami would close down and we would be transferred to Atlanta or Orlando. My first choice was Atlanta, since the pay there would be close to what we were receiving in Miami. I asked my boss to help me get transferred to Atlanta, but he told me that it couldn't be done because my job classification was a maintenance mechanic and AT&T didn't need any more maintenance mechanics in Atlanta.

I suggested that I be downgraded to a shop job repairing telephones, something I had worked at before being promoted to maintenance mechanic. My boss responded that the company couldn't do this because they couldn't cross trade lines. This didn't make sense because during my career at AT&T I had crossed trade lines three times.

The only option AT&T would offer me was a transfer to Orlando, but at a wage of $7.00 per hour. This would be more than a 50 percent cut from the $14.85 per hour I was making at the time. I could not afford such a huge pay cut with a wife, three boys aged 15, 11 and 7, and a new baby to support. I also was in debt to the tune of $13,500, of which $7,000 was for a new truck we bought in January of 1985, before we had any idea that my plant would be closed down.

I held on to my hopes that I'd get the transfer to Atlanta until the very last day before my layoff would take place. Some of my fellow workers had already quit or retired early, so I thought I had a chance with my 17 years of service behind me.

Instead, a few other employees at the plant who were in lower classified jobs than me, got their transfers to Atlanta approved. What really got me upset was that these other guys had less seniority than me. They also were making less in wages than I was, which I think had something to do with the real reason why they were chosen for the transfer instead of me. I just can't believe the official company line given me that I couldn't transfer to Atlanta because there was no room for someone with my job classification of maintenance mechanic. More important, I would have been willing to do any kind of work in just about any city if they would only have given me a decent wage.

I was forced to accept the layoff. I only received about $175 a week in unemployment compensation. Although I did get some severance pay, it didn't go very far for very long with all the payments I needed to make to support my family.

I looked everywhere for work and nobody wanted to pay me any more than $7.25 per hour, which just couldn't support my family over the long haul. I tried to make ends meet the best I could by taking temporary, odd jobs. I did some piecework as an electrical helper. I worked as a janitor at a clubhouse. My wife and I went out and did house cleaning together.

After weeks and weeks of searching for a job that paid enough for our needs, I still came up with nothing and became very frustrated. I grew very depressed and despondent. I took to drinking beer a lot.

My marriage almost broke apart from the effect my worrying and depression had on our family. My wife had to cope with my ugly condition and try to handle the three boys and new baby almost by herself. Finally, we went to counseling and they convinced me that I needed to be hospitalized. I checked into the Biscayne Humana Care unit for 28 days.

When I got out of the hospital, I again tried to find work, but was still offered very little pay and no benefits. Now things went downhill for the rest of my family. In June all three boys failed school. Then, in November, my wife had a nervous breakdown and couldn't stop crying for weeks. I had to stay home for three months to take care of her and the kids.

By December of 1986, we were dead broke. Our church and the St. Vincent DePaul Society bought food and toys for the family on December 25th, so we could celebrate Christmas. The Church also helped us make our mortgage payments, which saved us from losing our house.

All of a sudden, I got the break I was looking for -- sort of. A friend who had worked with me at AT&T was still employed by Bell here in Miami. He told me that AT&T had contracted with an outside firm, Central Technical Services, to do the same work that we had previously done before the layoffs. My friend had just found out that the guy who was now doing my old job was going to leave. He suggested that I apply for the job opening.

That's just what I did. On December 31, 1986, I was hired by Central Technical Services to what really is my old job as a maintenance mechanic. The hitch is that my new pay of $12.00 per hour means a cut of $6,000 per year from my old salary with AT&T, and now I have large salary deductions to pay for benefits.

My wife and children suffered greatly because of my layoff from AT&T. Our lives changed for the worse and we almost didn't make it. I am happy to be working now, but I'd still like to be back in the AT&T system, because I make a good deal less than I used to. But I bet AT&T is paying just about as much to contract out the work to my new employer as they would have if they had just kept me on the payroll in the first place.

I also feel that it is pretty amazing that this decision by the Federal Government to break up the Bell System has forced somebody like me -- somebody with 17 years of training and experience, 17 years of commitment to doing a good job -- they have forced me into this terrible situation.

If I can, I'd like to ask you as members of Congress for just one favor. I know it's a big one, but I'll ask anyway. If you could please do something to help me and the thousands of other AT&T employees who lost their jobs after divestiture. I feel we were given a raw deal. I'm sure the others have suffered as much as I and my family have. We could really use your help to get our jobs and benefits back.

Thank you.

Mr. **Owens**. Thank you, Mr. Carrao.

I want to thank all three of you for your testimony. I think that your testimony speaks for itself. I have no questions, but I do want you to know that we appreciate your being willing to share some personal experiences which I think throw a great deal of light on the human tragedy of our present economic merger mania.

I yield to Congressman Hayes for any questions or comments.

Mr. **Hayes**. Mr. Rodriguez, what was your job?

Mr. **Rodriguez**. I am an aviation mechanic.

Mr. **Hayes**. And I do not want to mislead you. You know, your testimony is good and your experiences have obviously shaken you and what you are going through.

When I say, mislead you, it is going to be very difficult to pass legislation, and I do not know if it is exactly our role, as a Committee, to pass legislation, that could bring about justice to individual wrong treatments on the part of the corporate entity, such as the one that you worked for.

The obvious inconsideration of Eastern Airlines is at play here. And you are in unions and the grievance procedure is the route. Our role is more one, trying to at least protect your right to be safeguarded by unions and that is not easy to do.

The effectiveness has been undergirded in many respects. But the kind of problem that you are faced with as a result of what occurred to you personally, is something that certainly is deep and moving. And nobody felt it like you would because you have experienced it.

And I think that Eastern Airlines in the action that they took against you, I assume that you were ultimately dismissed, right?

Ms. **Murphy**. No, I was not fired. I was disciplined.

Mr. **Hayes**. You were disciplined. Do you still work for Eastern?

Ms. **Murphy**. Yes, I am still working for Eastern, however, contained in that red folder, I have a statement of other cases that I know of personally, that were dealt with much more harshly. My case is just one of many, many cases, that have been documented for you.

Mr. **Hayes**. You mentioned too, that you willingly gave up part of your salary, and you will not be willing any more, will you?

Ms. **Murphy**. No, my attitude has totally changed.

Mr. **Hayes**. I have a granddaughter who is employed by Eastern Airlines in the Central Office in Oakbrook, Illinois, and they gave up—I do not think that it was willingly, but they had no choice, when they reached for the pay envelopes, it had been cut by 20 percent, I think. They were not in the union at that time.

Ms. **Murphy**. I do not know if you are familiar with what we have given up over the years. We started up giving up——

Mr. **Hayes**. You have given up too much. You do not have to give it to me here.

Ms. **Murphy**. We took cuts of 18 percent, not 20.

Mr. **Hayes**. I tell you, you have been raped twice, I agree. One physically and the other in terms of your own paycheck by people who did not need the money that you gave them. Texas Air may very well wind up being the largest airline in this country of ours.

And they said that they did not need your little money but you gave it to them, and you see what you got for doing it.

Thank you, Mr. Chairman.

Mr. OWENS. Congressman Jontz?

Mr. JONTZ. Let me also thank each of you. I know that it took courage on the part of each of you to come forward and tell us about your story and I am sure that there are many others who have stories that are deeply disturbing and I hope that we can take your personal experiences back to Washington, and use the sacrifice and the suffering that you have endured for some good purpose for enlightening and trying to encourage the Congress to act to prevent these sort of things from happening again.

So, I thank you.

Mr. OWENS. Thank you, very much.

The next and final panel, Mr. Guillermo Grenier, Director of Center for Labor Research and Studies, Florida International University, Miami, Florida; Ms. Karen Clarke, Director, Florida Consumers Federation, West Palm Beach, Florida.

STATEMENT OF GUILLERMO GRENIER, DIRECTOR OF CENTER FOR LABOR RESEARCH AND STUDIES, FLORIDA INTERNATIONAL UNIVERSITY, MIAMI, FL

Mr. GRENIER. Thank you, Mr. Chairman, and Members of the Committee.

My name is Guillermo Grenier and I am the Director for the Center of Labor Research and Studies, and Professor of Sociology at Florida International University.

I will be giving you a somewhat condensed version of the statement that you have in front of you. As a matter of fact, it was brought to my attention this morning, that the statement that was given to you is missing, at the bottom of 2 and 3, I believe, a couple of statements. They are not important and they are probably the fault of the computer that we have set up to provide deniability, in this case.

So, during my tenure as Director of the Center, we have been particularly involved in research in the changing nature of work in Dade County. Specifically, we have begun to explore the effects of the Texas Air/Eastern Airline merger on the community, and the social, political and economic ramifications of privatization of public services.

In my statement to this Committee, I would like to review some of our preliminary findings on these issues, and their impact on the existing workforce in Dade County.

My statement will begin with a review of some selected trends and the quality of work life in Dade County, followed by a summary of the impact of the Eastern/Texas Air merger and a review of the impact of privatization.

Just to give you an idea of what is going on in Dade County workwise, since 1980, the Dade County labor force has expanded by over 108,000 people and in the same period, approximately, only 75,000 new jobs have been created—over two-thirds of these jobs are in the low-paid service and trade sectors.

In the manufacturing, construction, transportation, communication, electrical, gas and sanitation sectors, there has been a net loss of approximately 15,000 jobs in Dade County, during this period.

Dade County is not a dynamic economy. These figures, of course, dramatically under-represent the influence of new immigrant labor. In the 1980 Census you see over a million Florida residents as foreign born. The recent Census update shows that 43 percent of Dade County residents are Hispanic, specifically, and while a large portion of this group is composed of relatively established Cuban residents, a large contingent of Nicaraguans have recently settled in the area. Estimates of the Nicaraguan population in Dade County go from 50,000 to 80,000. Haitians have also increased in the labor force in Dade County by approximately 100,000 since 1977.

Also, the 1980 Census which is by now, outdated, estimates approximately 100,000 undocumented immigrants in the whole state, and you and I both know, that this figure is greatly understated. In fact, I would estimate that there are a great many more than 100,000 undocumented immigrants in Dade County alone.

What this leads to, of course, that in an area where there is an influx of a large pool of immigrant labor tends to lower specific wages, this area has gone a step further, and institutionalized as the major source of labor power, the immigrant labor force.

This has been consistently creating a lowering of the wage rates in Dade County—something that we are all fighting against, consistently.

Studies show, in fact, that the Hispanic and Black populations from Dade County earn from between 23 and 25 percent lower wages than the anglo work force in this very same area.

And you add on to this, one—to this labor market problem, you have an exacerbation, in fact, right now, brought about by the Eastern Airlines/Texas Air mergers. And in a press release of January 21, of this year, Texas Air/EAL outlined its plans for what is described as labor cost restructuring.

These plans call for a reduction in the labor cost of mechanics, loaders, and custodians and related maintenance classifications at Eastern of $255 million below the current wage levels.

A reduction in the labor cost of flight attendants are also called for to the tune of $69 million below the current wage levels. And a reduction in the labor cost of pilots by $113 million below the current wage level and a reduction in labor costs of $43 million by early retirement of workers currently employed.

In total, Eastern Airlines is demanding a reduction in the earnings of its workers of about $490 million or 28.8 percent of the current wage levels. The 28 percent reduction can be achieved by either layoffs, or cuts, in wages and benefits, or both.

Texas Air Corporation's decision will have a negative spread and ripple effect throughout the Miami area. Considering the size of the supposed cutbacks, nearly every Miami citizen will be adversely affected.

The income multiplier, calculated from historical data from Dade County is 2.4, and quite simply, that means that for every dollar an Eastern employee loses, the community, will eventually lose $2.40 in income to the residents, in general, of the community.

Thus, the decision making by Texas Air's directors will actually exert a greater negative impact on area resident individuals and families, not directly associated with Texas Air holdings, than on the effect to employees.

Briefly, the negative impact on Eastern employees in Miami will be approximately $255 million. And the negative impact on non-Eastern residents in Miami, will reach $371 million, and the total negative impact on the Miami community, and everyone's income, will reach almost $700 million.

And this figure is the true cost to the community of the Texas Air takeover of Eastern and non-Eastern employees will bear the brunt of these reductions.

While the adverse effect on the area would be the 2.4 whether Eastern carries out its cutbacks through layoffs or wage and benefit roll-backs, the impact on various sectors of the local economy would differ, according to the method.

If wage cut demands average 28.8 percent, the burden posed by Texas Air on Miami, would be severe but would be more evenly distributed. All sectors of the economy would be impacted in that case. Naturally the retail and wholesale trade sectors which has been a growth sector over the last 7 years in Dade County, would be damaged, because the residents would be forced to reduce purchases of nonessential goods and etc.

Now, if layoffs of an average of 28.8 percent of the local labor force at Eastern were put into effect, that would mean that 4,800 personnel in Miami would be effected, with 4,800 families deprived of all or a major source of income, there would be a dramatic impact on the finance, insurance and real estate sectors of the local economy. Significant increase in defaults of home mortgages and bank loans for consumer purchases of automobiles and other consumer durables would result.

Abandonment of existing contractual obligations would be a necessity for the unemployed workers, the local rate of personal as well as business bankruptcies would rise. Health insurance expenditures would drop with concurrent personal and family exposure to risk, as well as would the liability of the taxpayers as to the number of cases with an inability-to-pay at Jackson Memorial Hospital would increase.

Because of the nonexistence of local employment which would utilize the skills and specific investment of the human capital of the affected workers, there would be an emigration out of the area of a large number of these families in search of employment elsewhere.

This emigration would result in a greater dominance of the illegal and informal employment of emigrants who already dominant in a major portion of this community, and the subsequent suppression, continued suppression of wages in the area.

The airline employment in Dade County is already beginning to suffer. As a matter of fact, the employment in the air transport industry in Dade County has suffered a loss of 1,800 jobs in the last year. This represents 100 percent of the statewide decline in employment in this sector.

While the previous examination of the data on employment trends in the various sectors of the economy justifies your and my concerns over the erosion of the quality of work like in Dade

County, there are several other forces contributing to the changing nature of work in south Florida.

The most pervasive of these, is the push for privatization of public sector services. In Dade County, more than any other part of this state, opportunistic city managers, have been putting basic public services up to bid to the lowest bidder. This action is rationalized as being a budget cutting move which will provide relief to the taxpayers.

Local politicians often applaud such contracting out as politically advantageous and highly visible taxpayer relief strategy.

Just how much relief privatization has given to Dade County taxpayers must be reviewed given the following facts:

Dade County manager has boasted that the County is the most privatized governmental unit in the country. Survey data shows that it is the most privatized governmental unit in Florida, yet, Dade County costs to the taxpayer has risen by approximately 10 percent per year, for each of the past three years.

The increase in taxpayer burden from 1983 to 1986, for operating purposes, has gone up 30.8 percent over the last three years and it is up now to $86.8 million. Thus, while Dade County manager's present privatization as a panacea for relief to the taxpayers, massive privatization has occurred along with sizable increases in tax burden.

As a result of this privatization activity, the previous comparison of the data on sectorial employment from 1980 to 1987, understates the erosion of the status of Dade County workers. Career service workers, in the public sector, have been replaced by workers earning less income and benefits, as the municipalities in Dade County have taken advantage of the relatively high rate of unemployment.

Thus, even the growth in the service sector jobs, masks the erosion of the wages and benefits of the work force, lucky enough to be employed. In addition, there is a considerable measure of economic impact on the local economy which is not dissimilar to that of the proposed cuts at Eastern Airline. In the process of privatizing social goods, city managers fail to consider the negative spread of effects caused by income erosion in the local area.

As discussed, cutting the budget is viewed by city managers as an opportunity to satisfy taxpayers and, as a result, increase political power. However, the full cost of privatization far exceeds the initial savings to the budget for the current Fiscal Year.

Every dollar of reduced incomes paid to local workers results in the reduction of $2.40 in income to the local economy. Were it not for the 'Balkanization' of Dade County and numerous cities, with separate budgets, it would not be viewed as advantageous to reduce incomes through privatization.

There is only the myopic hope that other tax rolls will suffer the multiple negative impact of wage cuts that permits this fruitless policy to occur. No feasibility study would justify privatization of a public function, if the full costs to the local economy were counted.

Another consideration, perhaps of far greater importance to Dade County, is the impact on the social fabric of these employment trends and practices. The erosion of employment in sectors characterized by higher incomes, effectively cuts-off vertical advancement for minorities and more recent entries into the labor force such as women and immigrants.

Privatization compounds this deleterious effect by replacing large segments of the work force with lower paid workers often from the same ethnic groups. It is a well documented fact that the public sector has been a major source of employment advancement for both minorities and women. It has been the vehicle to the promised land for many of our minority populations throughout this country.

Privatization of these public jobs results in either dumping of these workers, or dramatic reduction in their wages. Minority or disadvantaged workers would lose their recently achieved standard of living. In a community where social progress is both fragile and recent, continued undermining of the work force is dangerous.

Because of the composition of this panel, I feel that it is necessary to draw an example funded by the Federal Government of this destructive force in Dade County.

The Department of Transportation has funded an U.M.T.A. grant to this community, which requires that a significant part of the bus system be operated by a private corporation. You have details of the employees' battle against privatization, in the article, "Apartheid in Miami: Transit Workers Challenge the System." I believe that has been introduced before this time.

This experimental program will cost the county and state taxpayers at least $7 million. It will cost the private operating company nothing and, in fact, with taxpayers subsidizing all the costs, this company could pull in quite a hefty profit.

Since the majority of the transportation workers displaced, will be Black and Hispanic, this grant is destructive to the gains of these citizens, so recently realized. These Black and Hispanic transportation workers are American success stories. They gained their middle class status through hard work and dedication to advancement, not through handouts.

These workers represent a significant segment of the middle class in their communities. To others, they represent role models of which we can all be proud. It is cruel and ironic that their very jobs are being threatened by a Federal grant awarded in the name of free enterprise.

Of course, this rationalization of purpose, cannot be accepted as an example of what our nation stands for. Surely our nation represents far more than sacrificing of human success in the name of profits. Unless something is done, however, these American workers will lose their jobs, probably to other Hispanics and Blacks, the major difference in the new work force will be that it will earn considerably less income and benefits, and that it will have no career ladder to climb.

Given the overall trends in the Dade County employment scene, privatization will contribute not to the revitalization of local and minority economies, but to further institutionalization of poverty among our minority communities.

As both a professional sociologist and an American, I thank you for allowing me to testify today and I hope that you will consider my brief statement to be of interest to our national welfare in support of creating jobs with justice in our community.

Thank you.

[Prepared statement of Guillermo Grenier follows:]

PREPARED STATEMENT OF GUILLERMO J. GRENIER, PH.D

The Center for Labor Research and Studies (CLR&S) was established in 1971 to promote research, curriculum development and community service in labor relations at the University. Accredited through the University and College Labor Education Association (UCLEA) the Center is one of forty-four accredited labor centers in the United States. Its broad mission is to provide "services to workers and their organizations." This broad mission translates into three specific objectives: 1) to provide a comprehensive, statewide labor education service; 2) provide an internal and applied research program designed to support faculty research in labor relations and labor education programs; 3) develop a multidisciplinary curriculum in labor studies at Florida International University. As a statewide center, the CLR&S has major responsibility for labor research, curriculum development and community service addressing the needs of a number of constituencies; students, faculty and administrators at the University; labor, business and community organizations statewide; academics, policy-makers and journalists, nationally and internationally.

During my tenure as director, the Center has been particularly involved in researching the changing nature of work in Dade County. Specifically, we have begun to explore the effects of the Texas Air/Eastern Airlines merger on the community, and the social, political and economic ramifications of privatization of public some of our preliminary findings on these issues and their impact on the existing work force of Dade County.

SELECTED WORK FORCE TRENDS--DADE COUNTY

Since 1980, approximately 75,400 new jobs have been created in Dade County. This net gain in employment opportunities is not spread evenly across employment sectors. In fact, some sectors have experienced a dramatic loss of positions over the last six and a half years. In the manufacturing, construction, transportation, communication, electrical, gas and sanitation sectors there has been a net loss of approximately 14,600 jobs. The big gains in employment have come in the service industry (+39,000), government sector (+11,400), in retail and wholesale trade (+25,100), and the financial, insurance, and real estate sectors (+15,600). Over two-thirds of the 90,000 new jobs generated by these sectors were in the service and trade industries, industries that traditionally have been the lowest paying in the economy. Even this growth has failed to keep up with the needs of a rapidly expanding labor force. Since 1980, the Dade County labor force has expanded by 108,703 while only 75,000 new jobs have been created, mostly in the low-paying service and trade sectors.

These figures, of course, dramatically under represent the influence of new immigrant labor. The 1980 Census lists 1,059,000 Florida residents as foreign born. In Dade County, the dominant ethnic immigrant group is Hispanic. Recent Census updates show that over 43% of Dade County residents are Hispanic. While a large portion of this group is composed of relatively established Cuban residents, a large contingent of Nicaraguans have recently settled in the area. Estimates of the Nicaraguan population in Dade County range from 50,000 to 80,000. Haitians also have increased the immigrant labor force of Dade County by approximately 100,000 since 1977.

The by now outdated 1980 Census estimates approximately 100,000 undocumented immigrants in the state. We all know this figure to be greatly understated. In fact, from discussion arising in the community since the new Immigration Law has been in effect, I would estimate that we have more than 100,000 undocumented immigrants in Dade county alone.

In general, the influx of a large pool of immigrant labor tends to lower wages in a specific area. When this immigrant labor becomes institutionalized as a major source of labor power, the lowering of the wage rates becomes a chronic condition of the local labor market. Studies show that earnings of the Hispanic and Black populations in Dade County are between twenty-three and twenty-five percent lower than the earnings of the Anglo work force.

IMPACT OF PROPOSED INCOME REDUCTIONS AT EASTERN AIRLINES

In its Press Release of January 21, "Eastern Airlines Highlights Corporate Plans for 1987," Eastern Airlines outlined its plans for what it described as "Labor Cost Restructuring." The details, to the extent that they have been released, are as follows:

1. A reduction in the labor costs of Mechanics, Loaders, Custodians, and related maintenance classifications of $265 million below the current level of earnings by these workers.

2. A reduction in the labor costs of Flight Attendants of $69 million below the level of current earnings by these workers.

3. A reduction in the labor costs of Pilots of $113 million below the level of current earnings by these workers.

4. A reduction in labor costs of $43 million by early retirement of workers currently employed.

In total, Eastern Air Lines is demanding a reduction in the earnings of its workers of $490 million, or 28.8 percent, according to press reports and company information. In table form, the proposed cuts to Eastern employee remuneration by its Texas Air owners are as follows:

Affected Workers	Current Costs	Proposed Costs	Demanded Cut	Percent of Cuts
Mechanics, Loaders, Custodians, etc.	$566m	$301m	$265m	46.8%
Flight Attendants	$221m	$152m	$ 69m	31.2%
Pilots	$417	$304m	$113	27.3%

Early retirement savings: $43 million

TOTALS OF TEXAS AIR DEMANDS ON EASTERN EMPLOYEES' REMUNERATION:

Reductions in wages and benefits: $490 million

Percentage reduction proposed: 28.8%

The 28.8% reduction can be achieved by either layoffs or cuts in wages and benefits, or both.

The impact on the employment levels and economic well-offness of the Dade County area of the demands by Texas Air will extend far beyond the ranks of Eastern's employees. As Eastern employees suffer cutbacks, layoffs, or both they will be forced to adjust their expenditures and consumption to meet their drastically reduced levels of income. For example, a machinist's family facing a 46.8 percent cut in total income would have to reduce expenditures to a level of about one-half the previous level. Such a cut means reduced sales and income for all the businesses with which they formerly traded. Many of these former expenditures would have to be discontinued altogether as the affected families found themselves with little more than enough to meet their payments on past purchases, mortgages on their homes, and basic necessities such as food. This process can be easily envisioned by imagining the extent to which one's own life would be changed if existing income were reduced by approximately one-half of its current level.

Subsequently, the business and professional communities whose sales to the former Eastern employees have been curtailed have to adjust to their own lowered economic state. In order to compensate for the losses they experienced, businesses will have to cut back on both employees and on orders from their suppliers. These in turn will also adjust to their new economic condition by cutting back on their purchases of goods and services, including labor. In short, Texas Air's corporate decisions will have negative spread and ripple effects throughout the Miami area. Considering the size of the proposed cut-backs, nearly every Miami citizen will be adversely affected.

Economists have developed a tool to estimate the total impact of such cut-backs after these waves of deleterious consumption reductions have run their course. This concept is called the "income multiplier" and provides an easy estimator of the total negative effect in a locality. The Income Multiplier, calculated from historical data, is approximately 2.4 for Dade County. Quite of reduced income in the area, there will be a total reduction of area income of $2.40 by the time the second and subsequent rounds of adjustments to the initial cut in income have run their course. In other words, every cut of $1.00 in Eastern employees' income by Texas Air will eventually lead to a $2.40 reduction in income for the residents of Miami.

Using this economic concept, the total economic impact on Miami of the Texas Air decisions can be calculated as follows:

MIAMI AREA NEGATIVE IMPACT OF TEXAS AIR INCOME REDUCTIONS:

Miami Area Employees Only:	MIAMI AREA CUTS	TOTAL LOCAL IMPACT
Mechanics, Loaders, et.al.	$114 million	$273.6 million
Flight Attendants	$ 24 million	$ 57.6 million
Pilots	$113 million	$271.2 million
Early retirement	$ 14 million	$ 33.6 million
TOTALS:	$265 million	$636.0 million

Decisions taken by Texas Air's directors will actually exert a greater negative impact on area individuals and families not directly associated with Texas Air holdings than on the affected employees.

As shown in the following:

Negative Impact On Eastern Employees in Miami: $265 million

Negative Impact On Non-Eastern Residents in Miami: $371 million

Total Negative Impact on Everyone's income in Miami: $636 million

Total Negative Impact on Everyone's income in Miami: $636 million

Even though Texas Air is advertising these cuts as being directed against the employees of Eastern, the negative impact of its takeover of Eastern as a subsidiary on the rest of Miami will be 140 percent greater than the burden on Eastern employees. The local economy will be inflicted with a $636 million reduction in income in order for Texas Air to improve its operating profit by $265 million in reduced wages and benefits to local employees. This $636 million is the true cost to the community of the Texas Air takeover of Eastern.

CONCLUSION: The cuts in remuneration demanded by Texas Air from the employees of Eastern Airlines in the Miami area amount to $265 million. After the multiple effect from this initial shock to the local economy has occurred, the total reduction in area incomes will be approximately $636 million, or 2.4 times as great as the Texas Air reduction. Non-Eastern employees will bear the brunt of these reductions.

While the multiple, adverse effect on area incomes would be 2.4 times as great as Texas Air's savings with either layoffs or wage/benefit rollbacks, the impact on various sectors of the local economy would differ. With wage-cut demands averaging 28.8 percent, the burden imposed by Texas Air on Miami would be severe, but more evenly distributed. All sectors of the economy would be impacted. Naturally, the retail and wholesale trade sector, a growth sector over the last 7 years in Dade County, would be damaged because residents would be forced to reduce purchases of non-essential goods and services. Especially impacted would be the consumer durable markets of appliances, automobiles, furniture and other similar items. Non-essential expenditures on entertainment, restaurants, clothes, travel, etc. would be curtailed. Construction of new housing as well as purchases of existing units, an already suffering sector, would be reduced.

With layoffs of an average of 28.8 percent of the local labor force at Eastern, the sectoral impact would differ. The layoffs required by Texas Air's "Labor Cost Restructuring" would equal approximately 4,800 personnel, including Miami-based Flight Attendants, Pilots, Mechanics, Loaders, Custodians, and non-bargaining unit personnel. With 4,800 families deprived of all, or a major source of their income, there would be a dramatic impact on the Finance, Insurance, and Real Estate sectors of the local economy. A significant increase in defaults on home mortgages and bank loans for consumer purchases of automobiles and other consumer durables would result. Abandonment of existing contractural obligations would be a necessity for the unemployed workers. The local rate of personal as well as business bankruptcies would rise. Health insurance expenditures would drop with concurrent personal and family exposure to risk. Naturally there would be a liability to the taxpayers as the number of cases with an inability-to-pay increased at Jackson Memorial Hospital.

Because of the non-existence of local employment which utilized the skills and specific investment in the human capital of the affected workers, there would be an emigration of a large number of these families in search of employment elsewhere. This emigration could result in a greater dominance of the illegal and informal employment of immigrants and the subsequent suppression of wages in the area.

Airline employment in Dade County is already beginning to suffer. As shown in the June, 1987 issue of Labor Market Trends for the Miami-Hialeah MSA published by the State of Florida, employment in the air transport industry in Dade County experienced a 1,800 loss in jobs in the last year. This represented 100% of the statewide decline in employment in this sector.

THE EFFECTS OF PRIVATIZATION ON DADE COUNTY EMPLOYMENT

While the preceding examination of the data on employment trends in the various sectors of the economy justifies concern over the erosion of the quality of worklife in Dade County, there are several other forces contributing to the changing nature of work in south Florida. The most pervasive of these is the push for privatization of public-sector services. In Dade County more than any other part of this state, opportunistic city managers have been putting basic public services up for bid to the lowest bidder. This action is rationalized as being a budget-cutting move which will provide relief to the taxpayers. Local politicians often applaud such contracting-out as a politically advantageous and highly visible "taxpayer relief" strategy.

Just how much of a relief privatization has given to Dade County tax taxpayers must be reviewed given the following facts:

1. The Dade County manager has boasted that the county is the most "privatized" governmental unit in the country. Survey data would certainly show that it is the most privatized governmental unit in Florida.

2. Dade County costs to the taxpayers has risen by approximately 10 percent per year for each of the past three years. Using the assessed values for the period from 1983 to 1986, coupled with the OPERATING MILLAGE for each year, the data are as follows:

TAX YEAR	NET ASSESSED VALUE	OPERATING MILLS-UNINCORP.	TAX YIELD (CALC.)
1983	$ 44.79 Billion	6.297 mills	$ 282 million
1984	46.24 Billion	7.059 mills	326 million
1985	48.54 Billion	7.474 mills	363 million
1986	50.56 Billion	7.295 mills	369 million

In short, the increase in taxpayer burden from 1983 to 1986 for operating purposes was $86.8 million, or 30.8 percent.

Conclusion: While Dade County management presents privatization as the panacea for relief to the taxpayers, massive privatization has occurred along with sizable increases in tax burden.

As a result of this privatization activity, the previous comparison of the data on sectoral employment for 1980 and 1987 understates the erosion of the status of Dade County workers which has occurred. Career service workers in the public sector have been replaced by workers earning less income and benefits as the municipalities in Dade County have taken advantage of the relatively high rate of unemployment. The numbers of persons employed masks the erosion of the wages and benefits of the employed work force. The public sector has abandoned functions and contracted them to private corporations which invariably find workers who will work for less. These private contractors depend on this process of wage erosion in order to generate corporate profits. The data on unemployment in the labor market do not reflect the switching of workforces or the erosion of the wages of those who are offered their previous positions at considerably lower rates of remuneration.

There is, however, a considerable negative economic impact on the local economy which is not dissimilar to that of the proposed cuts at Eastern Airlines, discussed above. In the process of privatizing social goods, city managers fail to consider the negative spread effects caused by income erosion in the local area. As discussed, cutting the budget is viewed as a opportunity to satisfy taxpayers and, as a result, political leadership. However, the full costs of privatization far exceed the initial savings to the budget for the current fiscal year. Every dollar of reduced incomes paid to local workers results in a reduction of approximately $2.40 in incomes in the local economy. Naturally, were it not for the "Balkanization" of Dade County into numerous cities with separate budgets, it would not be viewed as advantageous to reduce incomes through privatization. It is only the myopic hope that other tax rolls will suffer the multiple negative impact of wage cuts which permits this fruitless policy to occur. No feasibility study would justify privatization of a public function if the full costs to the local economy were counted. Under proper accounting techniques, every dollar of saving from reduced incomes would result in a total cost, or hidden tax, to area residents of $2.40. From a societal point of view, this decision would be neither politically advantageous nor managerially expedient.

Another consideration, perhaps of far greater importance to Dade County, is the impact on the social fabric of these employment trends and practices. The erosion of employment in sectors characterized by higher incomes effectively cuts-off vertical advancement for minorities and more recent entrants into the labor force such as women and immigrants. Privatization compounds this deleterious force by replacing these segments of the workforce with lower-paying workers - often from the same ethnic groups. It is a well documented fact that the public sector has been a major source of employment advancement for both minorities and women. It has been the "vehicle to the promised land" for many of the minority populations throughout our country. Privatization of these public jobs results in either the dumping of these workers or dramatic reductions in their remuneration as the corporations worked for increased profits. Minority or disadvantaged workers would lose their recently achieved standard of living. In a community where social progress is both fragile and recent, continued undermining of the workforce is dangerous.

Because of the composition of this distinguished panel, I feel it necessary to draw an example of this destructive force in Dade County which is funded by the Federal Government. The Department of Transportation has funded an UMTA grant in this community which requires that a significant part of the bus system be operated by a private corporation. You have details of the employees' battle against privatization in the article "Apartheid in Miami: Transit Workers Challenge the System." This experimental program will cost the county and state taxpayers at least $7 million. It will cost the private operating company nothing and, in fact, with taxpayers subsidizing all the cost, this company could pull in quite a hefty profit.

Since the majority of the transportation workers displaced will be Black and Hispanic, this grant is destructive of the gains of these citizens so recently realized. These Black and Hispanic transport workers are American success stories. They gained their middle class status through hard work and dedication to advancement - not from handouts. These workers represent a significant segment of the middle class in their communities. To others they represent role models of which we can all be proud. It is cruel and ironic that their very jobs are now being threatened by a federal grant awarded in the name of free enterprise.

Of course, this rationalization of purpose cannot be accepted as an example of what our nation stands for. Surely our nation represents far more than the sacrificing of human successes in the name of profits. Unless something is done, however, these American workers will lose their jobs, probably to other Hispanics and Blacks. The major difference in the new work force will be that it will earn far less income and benefits and that it will have no career ladder to climb. At the same time White-owned corporations will experience significant profits due to the lower wage rate. Given the overall trends in the Dade County employment scene, privatization will contribute not to the revitalization of local and minority economies, but to the further institutionalization of poverty among our minority communities.

As both a professional sociologist and as an American, I thank you for allowing me to testify today and hope that you will consider my brief statement to be in the interest of our national welfare and in support of creating jobs with justice in our community.

Mr. **Owens**. Thank you, Mr. Grenier. Ms. Clarke?

Ms. **Clarke**. You had said that we were not supposed to read our testimony, that it is already a part of the record?

Mr. **Owens**. You do not have to read your testimony because it is part of the record.

Ms. **Clarke**. It already is, okay. What I think that I will do is just kind of summarize what I have already submitted to you.

STATEMENT OF KAREN CLARKE, DIRECTOR, FLORIDA CONSUMERS FEDERATION, WEST PALM BEACH, FL

Ms. **Clarke**. The Florida Consumers Federation is a statewide, nonprofit coalition of churches, unions, senior citizen organizations, community groups, and etc.

And the reason that we are here today, and that we wanted to address the Committee, is that we are increasingly alarmed at what we are seeing across, not just this state, but also in other parts of the country, of very significant increase in worker abuse that is going around.

A lot of the testimony today has been from union members and clearly, there is a problem. But there is also a significant amount of our population in this state, because we are a right to work state, which is not covered under a union contract, does not have the grievances, and they are also having the same kinds of problems that the folks here, have given testimony about today.

We have, just in the last week, collected this whole box, it is nothing more than affidavits from individuals that have had similar problems. Now, some of these are affidavits from letter carriers and Postal Workers, which I believe is not under the jurisdiction of your Committee. But if you cannot put it into the record, then I would appreciate them finding their way to the appropriate people in Congress, so that these can be looked at as well.

This past year, one of the largest number of folks that we ran into contact with that have serious problems were under the work that we were doing to pass homeless legislation in the State of Florida.

And one of the things that we did was that we were going around to different shelters in the State and at soup kitchens and talking to folks about them becoming involved in a grass-roots activity to have this state finally pass some legislation addressing the needs of the homeless and the hungry.

And what we found, everywhere that we went, was that nine out of ten cases, the folks that we talked to, what they wanted was not legislation passed so that they could find shelter for the night; not to have more soup kitchens funded. What they wanted were jobs.

And most of these folks were families. They were not single people that were winos or alcoholics. But they were heads of households and most of them were two parent families with young children and most of the reason that they were now homeless was because they had lost their jobs. And in most cases, although we did not go back and check with the employer, they were cases of worker abuse. They were fired; they were laid off; they were fifty years old; they felt that they were no longer to be a part of a system. There was a merger; there was a takeout; there was a business that went out of business.

All of these things were a common thread that we found, among the hungry and homeless within the State of Florida and among other groups that we know that are doing similar work in other parts of the country, it all comes back to a problem with jobs and a problem with worker abuse.

And that is one of the reasons that we were really pleased that you had agreed to conduct a field hearing, where at least the story can get out and we can start to address it.

This is not something that is just here, in the State of Florida. It is not just because we live in a State where there are very, very few protections for workers. It is a problem that is going on across the country.

I was real pleased to hear the information about the meat packers. In the next few months in Iowa there are similar coalitions that are coming together under the "Jobs for Justice" banner to address this.

We do not intend to just sit and be idle and be complacent about this. We are very, very concerned, and that is one of the reasons that we are pleased that you are here, today. This needs to be corrected. It is not just a problem with the grievance. It is not just Eastern Airlines. Although these are symptomatic of how serious the problems are. It is an epidemic problem around the country.

We see it a lot here, because of the type of population that we have. And the fact that we are a new State, we are a low wage service economy but you see it everywhere. And you hear about it everywhere and I would just like to encourage you all to go back and talk to other Members of Congress so that we can get some changes and get these things corrected.

Thank you.

[Prepared statement of Karen Clarke follows:]

PREPARED STATEMENT OF KAREN CLARKE, EXECUTIVE DIRECTOR, FLORIDA CONSUMERS FEDERATION

Mr. Chairman and members of the Committee, I appreciate the opportunity to testify before this hearing to investigate the erosion of American labor laws and protections, particularly in South Florida. I will discuss the role that deregulation, privatization and other major factors have had on the increase of worker abuse as well as the social effects that systematic worker abuse is creating for consumers.

The Florida Consumers Federation is a coalition of over 150 organizations with a combined membership of more than 600,000 Floridians. Formed in 1979 to work on behalf of consumers' health, safety and economic concerns, we represent a broad spectrum of Florida citizens -- workers, senior citizens, religious leaders and civic-minded people from virtually every walk of life.

Consumers are alarmed about the increasing trend of worker abuse, mostly because we realize tha injustice permitted at any work situation could set the path for similar injustice to reach our own workplaces. Our outrage at worker abuse stems both from our feelings of sympathy toward the victimized worker and the fear that the very same thing could happen to us.

You have heard today just a small portion of the worker abuse cases that the Florida Consumers Federation has witnessed here in the sunshine state over the past couple of years. The three victims who have testified today about the severe abuse they have individually experienced at Eastern Airlines and AT&T are but a sampling of the many who have been similarly mistreated. We have enclosed copies of several affidavits we have collected from workers fired after 20 years or more of service; threatened with dismissal after one or two days out from work due to illness; demoted without cause; and disciplined for unjust reasons.

The horror stories at Eastern and AT&T are just the tip of the iceberg. Employers are abusing workers throughout many sectors of Florida's economy. Agribusiness is daily treating farmworkers as slave labor. Clothing manufacturers are deserting South Florida and leaving many out of work so they can pay dirt-cheap wages in Haiti, the Dominican Republic and other foreign coutnries. Building contractors are hiring poorly-trained construction workers and presenting them with the prospect of unnecessary loss of limb and life on the job, caused by lack of training and violations of safety standards. City and county governments are attempting to cut costs by transferring public services to the private sector at the expense of employees and ultimately the public which is faced with deteriorating bus transportation, city works and other essential services. The U.S. Postal Service is threatening letter carriers and other postal workers with dismissal for such offenses as not being more careful while delivering mail when bit by a pit bull or German Shepherd in an unprovoked attack.

As a consumer organization, we are also alarmed at the impact worker abuse has upon our society for several reasons.

First, lost jobs and wage cuts have a multiplied effect upon our economy.

For each dollar cut from workers wages, about $2.40 is lost to the surrounding community. As dollars are taken out of the community, other businesses and their employees face precarious futures as well. No case illustrates this better than the obvious devastation South Florida's economy will suffer if Frank Lorenzo carries out his veiled threats and transfers Eastern out of Miami. Even a piece by piece dismembering of Eastern, Florida's largest employer, combined with force reductions and wage cuts would have a severely depressing effect on the local economy.

Systematic worker abuse also results in a decline of public safety. Public safety suffers whenever managers force employees to come to work, regardless of how ill they are that day. Public safety suffers when employers threaten pilots and mechanics with disciplinary action unlesss they clear planes for take-off, even though safety rules are violated. Safety suffers when manufacturers and construction contractors replace skilled workers with unskilled ones. Public safety suffers whenever management places enormous stress on employees through difficult working conditions, thus increasing the chance for error, breakdown and public disaster.

Likewise, intense stress placed on workers by their employers, displacement of skilled workers with unskilled lower-paid ones and other such abuses lead to reduced quality of goods and services available to consumers. The Florida Consumers Federation has seen many examples of shoddy products and poor services resulting from deregulation, privatization and the accompanying increase in worker abuse.

At Eastern Airlines, for example, the complaint rate has more than doubled this June, as compared to the average for the six previous months. When the complaint rate jumped to 19.60 per 100,000 customers last month, Eastern moved into second place among all air carriers in the receipt of consumer complaints. The dubious honor of being first in this category of achievemnet went once again to Continental, another Lorenzo-owned airline. Continental's complaint rate skyrocketed from 23.68 per 100,000 customers in the first half of 1987 to 41.93 in June.

Similar effects can be seen in the telecommunications industry. Ever since the Bell system was broken up in 1984, consumers have suffered ever higher local telephone rates, confusion and complication. This is no surprise when one examines the employment practices of the telecommunications industry. Since the divestiture of AT&T, about 100,000 workers have lost their jobs. Employees in Florida were forced to transfer hundreds of miles, or take wage cuts, or even lose their jobs entirely. And the consumer has lost the benefit of workers with experience and a traditon of high quality service.

We've also seen shoddy quality of construction of our homes and public buildings. Without strong state or federal regulation of building construction standards, contractors often hire unskilled labor to perform work they are unprepared for. The result has been a lot of leaky roofs, miswired electrical systems and faulty structures resulting in millions of dollars in damages to homeowners and taxpayers.

Another important issue at stake when labor protections are removed is the consequence for minorities and women. Blacks, Hispanics, other minorities and women workers generally are the first to feel the effects of layoffs or wage cuts. This is exacerbated by the fact that they also have been forced to take the lowest paying jobs in our communities in the first place.

Finally, consumers must bear the burden of insult added to injury when they must pay more of their tax dollars to meet the social costs of unnecessary layoffs and systematic worker abuse. Somebody's got to pay the cost of unemployment, medical care and job relocation expenses for those who are out of work - and that's the consumer, also known as the taxpayer. Additionally there are incalculable payments made by the taxpayer to clean up the social problems created both by employees suffering from on the job stress and by depressed, laid-off workers unable to make ends meet anymore.

Members of the Committee, the witnesses you have heard from today have delivered a clear indictment against some major American institutions, including Eastern Airlines and AT&T, as well as many local South Florida employers. We accuse these institutions of fostering systematic worker abuse as part of their relentless effort to cut costs and maximize profits. Deregulation, privatization and the export of jobs to other states and overseas represent the state of the art technology they are utilizing to dismantle the system of fair wages and benefits, safe and healthy working conditions and job stability that working men and women have fought so hard to gain over the past 50 years.

We complement this Committee for conducting this first field hearing on the current wave of worker abuse and the policies that have caused it. We urge you hold additional hearings across the country to expose what we are certain is a national problem. The groundswell of public concern that these hearings bring about is needed to build support for your efforts to put an end to the exploitation we have described and documented today.

Mr. **Owens**. I want to thank both of you for your testimony and since you have been a little more thorough with documentation, I do want to ask you what recommendations for legislation do you have?

What more specific recommendations?

Ms. **Clarke**. One of the things that we think is the most critical—there are three things that we think are most critical.

One is the direct thing of corporate mergers. It is just causing so many problems. There have got to be restraints. There have got to be more guidelines. There have got to be protections for the workers, that are the ones who usually feel the most serious effects of it.

And then the two others, and I will yield the floor. One is addressing the problems caused by deregulation, specifically in telecommunications and the third, is privatization.

What we are seeing here, just in Dade County alone, scares us to death and this is going on all over the country. And we think that those are the three general areas that there needs to be action taken on, and, very quickly.

Mr. **Grenier**. Yes, and to underline the privatization emphasis, I think that what we are seeing now is the changing of the political economy for our country to a level that is becoming too trendy and too easy to say that privatization is cheaper.

It is really not though when you look down to the bottom line of social costs that I referred to briefly, but we should somehow outline exactly what those costs are in very specific terms. I am not real sure how legislation would address this specifically, in very concrete terms, but I think that it has become a major social movement among city managers and municipal as well as the mandate coming from the Federal Government on this.

But you might be interested to know, and I am sure that you do know, that the Federal Government has increased its enrollment figures, its wage-base, number one, and its jobs, by 30,000 since Ronald Reagan came into power, over 30,000.

So, on the one hand, they are saying that we should privatize but then if the Federal Government is not following through, perhaps the growth would have been greater had privatization been carried out more deeply in the Federal Sector. But I know that the municipal sectors and the county sectors, in many places around the country—we are now undertaking a national study on this—but city managers and county managers are certainly taking that mandate to heart.

And what is happening is that the social fiber of communities are being rent asunder and years from now, we will see the pendulum swing. But at some point, we should look at where it is swinging, and why it is swinging, and not have to wait until it gets to the other end and swings back because of reduced tax rolls, to do something about it.

So, I think that it is a major, major problem.

Mr. **Owens**. Thank you.

Congressman Hayes?

Mr. **Hayes**. Yet, again, we have had some good testimony, Mr. Owens, no question about it. I think that we agree totally with what you have said today.

The problem that we are discussing is not necessarily just a localized or one-industry problem, it is—for example, I talked to a TWA flight attendant, who is concerned about Icahn's role in the industry and his purpose.

And he is trying to find a way, if he can, to raffle off Transworld Airlines so that his people can make a good bundle of dough. But in the process of that, people will be affected.

You ask yourself your question, if you are an employee of Eastern Airlines, so how do you stop them from cutting my pay? How do you stop them?

They tried it, they will fire you because you went on strike. They will replace you on international flights by flight attendants from other countries, at less wages than they were getting, a circumvention of our immigration statutes, in some cases.

They will testify before us, you know that, Mr. Chairman, in trying to find legislation in order to stop that kind of practice. And so this is a general kind of a problem. They feel that the employers, the big ones, consolidation means money to them, regardless of how it affects people and we want to protect people.

So they feel that the best time to make hay now, is to use the old expression, is while the sun is shining. They have got the Administration in Washington now, that hear you talk about trade, and loss of foreign jobs, protectionist legislation. We cannot go for that, but that is the position of the Administration.

They call for less government intervention, stay out of it, the interest of private employer's responsibility. But we have hope that these kinds of hearings will help steer us in the direction where we will be more concerned about the welfare of the majority of the people in this great nation of ours, not just the few that want to capitalize on having what they know to be an economic advantage for the moment.

Thank you.

Mr. OWENS. Congressman Jontz?

Mr. JONTZ. Thank you, Mr. Chairman, again, I want to thank both of you for your excellent statements and look forward to seeing some of the affidavits—one was passed out here to us.

Mr. HAYES. How will we get them to Washington?

Mr. JONTZ. We will divide them into thirds, that is the plan.

Mr. OWENS. As you know, I have not said that we would enter them into the record. We would like to have them for examination but I do not think that we can enter them into the record.

You may proceed.

Mr. JONTZ. Well, I am looking forward to reviewing these and do appreciate all of the effort that was made and want to thank the many whose names we do not know yet, for their efforts, and willingness to come forward and be counted.

Part of what we are doing this morning, and what you all are doing is attempting to identify some themes and some ideas to articulate a little better some ideas about what is happening to people and what is happening to our economy and what we need to go forward to the Congress and the public with in terms of really pointing out these problems.

And I appreciate your suggestions and ideas and I guess, again, those of us, maybe from the manufacturing part of our country, tend to see these problems and look at the trade bill, and say, well this is the answer to our problems.

But, in fact, privatization, the corporate mergers, the deregulation, they are affecting us too, and this has certainly helped broaden my perspective on the problems that working people are facing.

There is another idea that I would like to put forward as a way of looking at the problems that we face, and that is the idea that we ought to try to get government back on the side of the average citizen, and it just seems to me that what we have heard today is stories of lots of people who were quite willing to go out and put in a fair day's work and try to make a better life for themselves and their families but were thwarted—not because they were not willing to make the effort—but because the rules were stacked against them.

And under these circumstances, I think that we have to ask is our government functioning to help the average citizen, or is the government standing in the way of the average citizen?

And clearly, in these cases, where you see the effects of deregulation and the effects of privatization, and the effects of a National Labor Relations System that is not working, and all of these other things that we have heard, government is not on the correct side.

Maybe too often we get caught in the debate when we try to move new legislation forward, whether it is for plant closings, or family leave, or whatever, that we are accused of trying to bring about more government; that we are trying to increase the role of government and we know that that is not a popular thing.

And I would suggest that what we ought to do is to try to reframe these questions into a debate over, whose side is government going to be on? Is the government going to be on the side of the flight attendants? Is the government going to be on the side of the mechanic, or is the government going to be on the side of the big corporations, who do not need an extra voice? They have got plenty of means of bringing their point of view around.

And I think that the idea that this country was founded on, was the idea that the government does exist to further the rights and the well-being of the average citizen, and that when the average citizen does well, the country does well.

And what we have heard today is the case of a lot of average people who are not doing very well, and the reason that they are not doing very well, is because the government is on the wrong side.

So, let us get busy and get the government on the right side. And that may be a little bit of a simplistic way of putting the situation, but all of those affidavits there, represent cases, I am sure, of average citizens, average working people who have their own individual story to tell and want to go out and work hard and make a better life for themselves and their families, and that is what we owe it to them, to put the government back on their side.

And I hope that this hearing today can really give us some ammunition, so to speak, to use to make the changes in Washington that we need to get this system put back on the right course.

And I thank you both, again, for your excellent testimony.

Mr. OWENS. Thank you.

I think that in closing, I would like to thank the two Congressmen here, and all of the other panelists and repeat what I have said earlier.

Government may really still be on the side of the average person, because government is bigger than this Administration. There is a Congress that has fought a rear-guard action, a defensive action to try to keep this Administration from running over more of the rights of the working individuals and the average people in this country.

We have failed in many cases, and succeeded in a few. But it is important to remember that this Administration has been in power for seven years now. It is not going to be there forever, and although labor unions and organizations representing the average citizen, have never had an easy time of it, we certainly have never had as difficult a time as we have had under this Administration.

This Administration has made no secret of the fact that it did not want balance. It does not have a balanced approach with respect to the average person, and the working person. It definitely is on the side of management. It is definitely on the side of the corporate mergers and they have done everything possible to give as much help as possible to those who have perpetrated these atrocities against workers in the process of effecting corporate mergers.

And the Education and Labor Committee, I repeat, has limited jurisdiction over corporate mergers, deregulation, privatization, in terms of the legal authorities that allow these things to go forward.

And we do have jurisdiction over anything related to workers' rights and the protection of workers, and I think that your testimony has clearly shown us that more needs to be done, more must be done, in that area.

We will take that message back to our full Committee and on the basis of your testimony, seek to stimulate more activity to deal with the very pressing problem which you highlight here, for your area geographically, but as it has been stated, it is happening all over the country and it is not limited to this particular sector.

We appreciate your testimony and if there is nothing further?

Do you have anything further?

Mr. HAYES. I just have one further comment.

Mr. OWENS. Certainly.

Mr. HAYES. For the next weeks to come, watch and help move forward a bill which is titled, Economic Bill of Rights Act. And that is authored by myself and Congressman Hawkins, who is the Chairman of our Education and Labor Committee, one who has a long history, even during the Roosevelt days.

What the young lady, Ms. Clarke said here is that the lack of jobs is the undergirding problem, which a lot of people are faced with today.

The Economic Bill of Rights, H.R. 2870 deals specifically with not only the question of jobs, but some of the things that we have discussed here, this morning. The decay and decline of our educational system, our lack of support for our educational system is a criminal approach to the education of our young people and the future of this great nation.

And Lord knows, if we do not begin to move in this direction we are in trouble. When we get to the point whre we do not want to help kids, some want to discontinue funds for aid to dependent children, who are economically disadvantaged. Children have got to be helped to get an education when their parents are out of work and cannot find a job. The beginners program is important. Some kids do not eat after the third week of the month, until they get to school, how can hungry children learn?

This is the kind of problem that we are faced with, and this is what the Economic Bill of Rights H.R. 2870 intends to deal with, but in order to move it, we are going to need some help. We are going to have hearings, and do as much as the Gramm-Rudman restriction will permit, in many areas of this country, in order to bring it to the attention of the people that they have to move on this legislation.

And maybe this will move our Congress towards enacting legislation on the thing that you have talked about here, in Miami, but also that is affecting people everywhere.

Thank you, Mr. Chairman.

Mr. OWENS. Thank you, Mr. Hayes.

The Committee will stand adjourned.

[Whereupon, at 11:45 a.m., the Committee was adjourned.]

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